



**WATFORD
BOROUGH
COUNCIL**

AUDIT COMMITTEE

15 March 2018

7.00 pm

Town Hall, Watford

Contact

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For information about attending meetings please visit the [council's website](#).

Publication date: 7 March 2018

Committee Membership

Councillor D Scudder (Chair)
Councillor J Johnson (Vice-Chair)
Councillors Ahsan Khan, B Mauthoor and T Williams

Agenda

Part A - Open to the Public

- 1. Apologies for Absence/Committee Membership**
- 2. Disclosure of Interests (if any)**
- 3. Minutes**

The [minutes](#) of the meeting held on 7 December 2017 to be submitted and signed.

- 4. Regulation of Investigatory Powers (Pages 4 - 6)**

Report of the Head of Democracy and Governance

This report provides information about the council's use of the Regulation of Investigatory Powers Act.

- 5. General Data Protection Regulations (GDPR) Update (Pages 7 - 9)**

Report of the Head of Democracy and Governance

This report provides an update on the council's progress in implementing the changes being brought about by GDPR.

- 6. Corporate Risk Register (Pages 10 - 14)**

Report of the Head of Democracy and Governance

This report provides an update on the revamped risk register.

7. Changes to Accounting Policies 2017/18 Annual Statement of Accounts (Pages 15 - 16)

Report of the Head of Finance (shared service)

This report informs the committee of any significant changes to the council's accounting policies that are followed when compiling the annual statement of accounts.

8. Shared Internal Audit Service (SIAS) Internal Audit Progress Report (Pages 17 - 49)

Report of the Shared Internal Audit Service

9. SIAS Internal Audit Plans 2018/19 (Pages 50 - 82)

Report of the Head of Finance (shared service) and the Shared Internal Audit Service

10. Certification of Claims and Returns Annual Report 2016/17 (Pages 83 - 91)

Report of the external auditor

11. Watford Borough Council Annual Audit Letter 2016/17 (Pages 92 - 116)

Report of the external auditor

12. Watford Borough Council Audit Planning report 2017/18 (Pages 117 - 151)

Report of the external auditor

13. Committee Work Programme (Pages 152 - 155)

Report of the Head of Finance (shared service)

This report provides the committee to review its work programme for the forthcoming meetings.

Agenda Item 4

PART A

Report to: Audit Committee
Date of meeting: 15 March 2018
Report of: Head of Democracy and Governance
Title: Regulation of Investigatory Powers

1.0 Summary

1.1 To note that in the last year the Council has not had recourse to using the Regulation of Investigatory Powers Act (RIPA) and that the only amendment to be made to the RIPA Policy is the removal of the Bob Watson as an Authorising Officer as he is leaving.

2.0 Risks

2.1

Nature of Risk	Consequence	Suggested Control Measures	Response <i>(Treat, tolerate, terminate, transfer)</i>	Risk Rating (the combination of severity and likelihood)
Officers fail to apply for RIPA authorisation as required by the Act	The evidence collected using directed surveillance will be inadmissible and could result in a failure to convict	Officers are trained in RIPA	Treat	2

3.0 Recommendations

3.1 The Committee notes that no RIPA authorisations have been made in this last financial year.

- 3.2 That the Council is due to have its four yearly RIPA inspection by the Office of the Surveillance Commissioners in 2018.

Contact Officer:

For further information on this report please contact: Carol Chen, Head of Democracy and Governance
telephone extension: 8350 email: carol.chen@watford.gov.uk

4.0 **Detailed proposal**

- 4.1 This Committee oversees the Councils use of RIPA. Since the restrictions imposed on councils use of RIPA by the Protection of Freedoms Act, which limited the ability to undertake directed surveillance to offences where the penalty was six months or more imprisonment or selling alcohol or tobacco to children, and the need to get approval from a magistrate where it was applicable, the Council now rarely uses the powers.
- 4.2 In fact the Council has not applied for a RIPA approval to the Magistrates court since 2016. The Council has also not applied for any communication data approvals via NAFN
- 4.3 The Office of the Surveillance Commissioners (OSC) oversees the operation of RIPA and inspects bodies who are entitled to use it every four years. The Council has been notified that we are to be inspected this year. In recognition of the fact that councils now rarely use the powers the OSC is to undertake a desk top inspection rather than sending out an inspector. In addition to seeking information about our use of RIPA they also ask about how we control our Town Centre CCTV.
- 4.4 There are no major changes to our Policy other than removing Bob Watson as an authorising officer as he is leaving.

5.0 **Implications**

5.1 **Financial**

- 5.1.1 The Shared Director of Finance comments that there are no financial implications in this report

5.2 **Legal Issues (Monitoring Officer)**

- 5.2.1 The Head of Democracy and Governance comments that there are no legal implications in this report

5.3 **Equalities/Human Rights**

- 5.3.1 It is a requirement of considering any application for authorisation under RIPA to have regard to the human rights of those likely to be the subject of the surveillance as well as any one indirectly affected and any collateral intrusion.

Background Papers

No papers were used in the preparation of this report.

File Reference

None

PART A

Report to: Audit Committee
Date of meeting: 15 March 2018
Report of: Head of Democracy and Governance
Title: GDPR Update

1.0 **Summary**

1.1 Members at the meeting in December asked for information about how the Council intended to implement the changes being brought about by the GDPR. This report provides an update on steps being taken.

2.0 **Risks**

2.1

Nature of Risk	Consequence	Suggested Control Measures	Response <i>(Treat, tolerate, terminate, transfer)</i>	Risk Rating (the combination of severity and likelihood)
The Council is not GDPR compliant by 25 May 2018	Risk of complaints to the ICO and loss of reputation	Project group set up. Data Audits undertaken. Policies and procedures being reviewed	Treat	4

3.0 **Recommendations**

3.1 That the report is noted.

Contact Officer:

For further information on this report please contact: Carol Chen, Head of
Democracy and Governance
telephone extension: 8350 email: carol.chen@watford.gov.uk

4.0 Detailed proposal

- 4.1 Members at the meeting in December asked what steps the Council was taking to be ready for the introduction of GDPR in May 2018. This report informs the Committee what the Council has been doing
- 4.2 A project group was set up last September jointly with Three Rivers District Council as we have a shared service. It has representatives from all departments. The first task that the group undertook was to ask each of their service areas to complete a data audit so we could get a picture of what personal data we were collecting, why we were collecting it, who we were sharing it with and how we were storing it. This has been completed.
- 4.3 We are currently looking at what information we tell our customers about how we use the personal data we obtain from them, (otherwise known as privacy notices), and amending them to comply with the extended requirements of the GDPR.
- 4.4 Each service is also looking at how long it needs to keep personal data for and developing a retention schedule. This will be attached to a corporate retention policy.
- 4.5 Services are also looking at their contracts with organisations that process personal data on our behalf. Currently Data Processors do not have liability if there is a data breach caused by them. It is the Data Controller (the body that gave them the data to process) that is responsible. Under the GDPR they too will be liable and Data Controllers must make sure Processors have proper processes and procedures in place. Contracts will need to be amended to reflect this.
- 4.6 Under the GDPR as a public authority we will be required to employ a Data Protection Officer. Following Council approving a budget for this in January we are in the process of recruiting to this part time post.
- 4.7 Finally all staff are being required to attend compulsory training on the GDPR which is being given by the Head of Democracy and Governance and the Three Rivers Data Protection Officer. It is intended to have a session for councillors post the May elections and before the 25 May.

5.0 **Implications**

5.1 **Financial**

5.1.1 The Shared Director of Finance comments that Council approved growth to employ a part time Data Protection Officer at the Council meeting in January 2018.

5.2 **Legal Issues** (Monitoring Officer)

5.2.1 The Head of Democracy and Governance comments that the Council is taking all reasonable steps to be GDPR compliant.

5.3 **Equalities/Human Rights**

5.3.1 The whole ethos around the GDPR is the protection of the personal data of individuals. It is intended to put the individual at the heart of the legislation.

5.4 **Staffing**

5.4.1 The Council is required to have a Data Protection Officer.

Background Papers

No papers were used in the preparation of this report.

File Reference

None

Agenda Item 6

PART A

Report to: Audit Committee
Date of meeting: 15 March 2018
Report of: Head of Democracy and Governance
Title: Corporate Risk Register

1.0 Summary

- 1.1 The Council has recently revamped its Corporate Risk Register and this now comprises what Leadership Team consider to be the most important risks facing the Council. These risks are monitored by Leadership Team on a quarterly basis.
- 1.2 The Register is attached at appendix 1. Members will note that the Register shows the risk after mitigation measures.

2.0 Risks

2.1

Nature of Risk	Consequence	Suggested Control Measures	Response <i>(Treat, tolerate, terminate, transfer)</i>	Risk Rating (the combination of severity and likelihood)
Leadership Team do not keep the Register under regular review	Important corporate risks are missed	The risk register is a standing item on Leadership Team on a quarterly basis	Treat	4

3.0 Recommendations

- 3.1 To note the Corporate Risk Register

Contact Officer:

For further information on this report please contact: Carol Chen, Head of Democracy and Governance
telephone extension: 8350email: carol.chen@watford.gov.uk

4.0 Detailed proposal

4.1 Last September Leadership Team revamped the Councils Corporate Risk Register. The register has been simplified to encourage risk owners to monitor and fill it in and it now includes what Leadership Team consider to be the most serious risks/opportunities that the Council face.

4.2 The register is now monitored quarterly by Leadership Team. It is attached at appendix 1. Members should note that appendix 1 shows a risk score after mitigation measures have been put in place.

4.3 Members will recall that a revised risk strategy has also been produced and this was presented to the committee at the last meeting. The register reflects the amended risk categories in that strategy.

4.4 Members are asked to note the register.

5.0 Implications

5.1 Financial

5.1.1 The Shared Director of Finance comments that whilst there are no implications in this report there are implications within the various identified risks

5.2 Legal Issues (Monitoring Officer)

5.2.1 The Head of Democracy and Governance comments that it is part of demonstrating good governance to have a robust risk register.

Appendices

Appendix 1 Corporate Risk Register

Background Papers

No papers were used in the preparation of this report.

File Reference

None

Project	Corporate Risks
Risk Log Owner	Carol Chen
Date	Reviewed by LT 5.12.17 adjustments made to 1,4,5,8&12, Updated 2.3.18 to add new risk 16

[For Guidance Please Click Here](#)

Ref	Risk description	Cause	Consequence	Response	Action agreed to respond / mitigate / control	Status	Date raised	Raised by	Risk Owner	CURRENT RISK ASSESSMENT			Action Taken
										Likelihood 1-4	Severity 1-4	Risk Score	
1	Election of a new mayor in 2018	Manifestos of mayoral candidates not yet published, therefore unclear what their objectives for the next 4 years are and whether they reflect the current direction of travel and financial constraints of the council. Establishing new working relations with a new mayor, future of the mayors office, future relations between the mayor and the rest of council. Potential for affecting relationships with partners and stakeholders.	Officers are unprepared when change takes effect in May. Relations between mayor and officers get off to a bad start and council business is stalled. Budget has to be adjusted and corporate plan revised. Mayor unable to deliver manifesto commitments.	Treat	Obtain mayoral manifestos as soon as published and begin to develop potential implementation plans. Meet all mayoral candidates to discuss how they would wish to operate their office and explain nature of responsibility of the role vis a vis the law and constitution. Have communication plan for staff and partners/stakeholders to prepare for the change, including understanding legal powers of the mayor.	Open	06/09/2017		Carol Chen	3	2	6	Meetings taken place with all announced candidates. Keeping powder dry.
2	Brexit and Government failure to progress its other legislative programme whilst Brexit negotiations are taking place	The Council is left without certainty on a number of key potential government programmes such as NNDR retention, Welfare Benefit reforms and planning and is unable to have a robust MTFs and be confident that its Local Plan review will be passed by PINs. In addition any changes to the current free travel arrangements within the EU may see a change in the population, demographic and economic prosperity of the Town	Long term future funding from central government is unclear and worst case scenario assumptions may be required that could result in unnecessary service reduction. Developers take advantage of delays in implementing the Local Plan by seeking developments that are not in accordance with the councils policy aspirations. Town loses a percentage of its workforce, businesses unable to recruit and inward investment stops.	Treat	Already planning MTFs on assumption of not having full NNDR retention. Actively seeking ways to be more self sufficient by increasing income opportunities. Engagement with business on a regular basis to pick up employment trends. Work with partners like the College to skill up young people to be able to step into the jobs market.	Open	06/09/2017		LT	3	3	9	
3	A breakdown in community cohesion within the Town and the ability to ensure our objectives meet the needs of our residents and businesses.	The census data tells us that the population of the borough continues to expand and we have a high proportion of migrants in the both from eastern Europe and the Asian sub continent. We are also receiving an influx of people displaced from London due to high house prices which is having a knock on effect on house prices in the Borough. A shortage of affordable homes, a diverse population and a constrained boundary may lead to civil unrest and a breakdown of community relations. The council may not be able to deliver the services the expanding population requires leading to a loss of satisfaction in council services.	Higher rates of hate crime and anti social behaviour, communities not engaging with the council or each other. Sections of communities leave the Borough. Borough gets bad reputation in the press that then discourages businesses from investing in the Town.	Treat	Good engagement by mayor and local politicians with communities. Working with LSP to understand our varied communities. Looking at reviewing our local plan policies and looking at partnerships to create more affordable homes.	Open	06/09/2017		LT	2	3	6	
4	our major projects not being delivered on time and in budget	The Council has a number of major projects, some of which are directly within its control and some of which it has to rely on third parties. Failure to deliver these projects would affect the finances of the council and its ability to provide its statutory services, will affect the economic prosperity and well being of the Borough, this would have a knock on effect for the reputation of the council	The council will not have sufficient resources to provide statutory services. The council will not meet its 5 year land supply of housing. The council will not be able to engage with its customers in the way they would prefer. The Borough is not seen as a place for businesses to invest and the economic prosperity of the Town declines, leading to increased unemployment and homelessness and higher reliance on welfare benefits.	Treat / Transfer	Projects within the control of the council have good governance arrangements. Risks are regularly assessed by project boards and reported to PMB Watford 2020 has own programme board. Projects outside of the Councils control the council through its politicians and senior officers seek to lobby and influence decision makers. Regular engagement with businesses and the LSP. Making use of external funding opportunities where ever possible such as the LEP, HLF or other similar funding streams to help make projects viable and achievable.	Open	06/09/2017		PMB	3	3	9	

5	Failure to have a suitably skilled workforce and the capacity to deliver the councils services and objectives	The council is unable to retain and recruit staff with the appropriate skills to deliver the councils objectives and that it does not have the correct number of staff to undertake and manage the work	Services are not delivered. Contracts are not managed more resources are spent on using external providers without appropriate management and oversight.	Treat	Robust people strategy in place with clear reward and recognition. Robust job evaluation scheme. Employee well being and work life balance understood. Regular PDR process. Robust recruitment process. Good prioritisation of corporate objectives.	Open	06/09/2017		LT	3	4	12	
6	unable to provide our statutory services at all times	The council is unable to fulfil its statutory responsibilities to its residents and businesses due to catastrophic service failure or as a result of a civil emergency	The council is unable to perform its statutory obligations, it fails its citizens and the government intervenes to run the services in its place. National media and government criticism. Major reputational damage and loss of trust and confidence in the council	Tolerate	Belong to Herts Resilience Partnership which supports the county response to civil emergencies. Keep emergency plan up to date. Encourage staff to volunteer to assist/look to change employment contracts to compel assistance. Developed relationships with partner agencies to also provide assistance.Undertake regular EP exercises. Keep Business Continuity Plans up to date and regularly tested. Statutory Service KPI's regularly monitored by LT.	Open	06/09/2017		LT	3	4	12	
7	Decline in economic prosperity and vibrance of the borough	The council is unable to deliver an up to date and workable local plan due to the inability of the council and its neighbouring districts to cooperate on major planning policy requirements. There is insufficient funds to provide the necessary infrastructure to promote growth	Piecemeal inappropriate development in the Borough. Resident dissatisfaction, increased legal challenges to planning decisions with resultant expense. Businesses do not locate in the Borough, rise in house prices and unemployment, more homelessness, more congestion.	Treat	Good working relationships at officer level with neighbouring authorities and joint working already taking place. Good dialogue with the County Council and input into SW Herts Transport Strategy. Making use of external funds like the LEP to bring forward infrastructure projects, robust use of s106 for site specific infrastructure, like schools. MARF, Developers Forum. Core strategy in place	Open	06/09/2017		PMB	2	3	6	
8	Having an insufficient supply of affordable homes to meet demand	The council is unable to fulfil its statutory duty towards homeless households by offering a sufficient supply of suitable affordable accommodation within the Borough. Unable to secure sufficient suitable affordable accommodation on privately developed sites due to viability issues. Unable to source sufficient affordable accommodation in the private rented sector due to the difference between local housing allowance rates and private rental income.	More families are required to move considerable distances away from the Borough to resolve their housing needs, breaking their links with family, schools and work. Insufficient land supply to meet demand. More legal challenges against unfavourable decisions. Increased costs for finding temporary accommodation and legal fees.	Treat / Transfer	The council has set up a joint venture with WCHT to utilise both parties land to build affordable housing. Looking at underused garage sites to build temporary accommodation. Looking at existing assets and disposing of them to then use the funds to purchase better suited temporary accommodation. Working with selected private providers on a call off framework. Testing rigorously viability assessments from developers and using s106 for overage. Robust processes in place to ensure decision making is challenge proof.	closed	06/09/2017		LT	3	3	9	Merged with risk 12 following review by LT 5.12.17
9	Failure to provide an optimum service for our residents by not looking proactively at all service delivery models.	Fail to make the most of opportunities to provide better more cost effective service delivery	Customer dissatisfaction with level of service provided. Increasing financial burden for the cost of services may result in cuts.	Treat	Already operate a number of different delivery models, from shared services to outsourcing, to supporting self service (third sector). Officers continue to look at best practice	Open	06/09/2017		LT	2	2	4	
10	Failure to maintain our ambitious programme of delivery	Unable to redevelop our Town Hall complex and other operational buildings due to lack of finance or planning	Will not have a civic hub where partner public sector organisations can be located. Lose the potential of income generation. High maintenance costs for existing out of life building. Unable to realise other assets	Treat	Robust project management processes in place. Regular review at PMB. Good dialogue with partners to build according to their needs to get anchor tenant in place. Good community engagement for Oxhey Park North.	Open	06/09/2017		PMB	2	2	4	

11	Failure of Contract Management of Outsourced Services/Contractor insolvency	Failure of contracting partner to deliver required service to agreed specification. Contractor going into administration/liquidation	Service delivery inadequate, loss of income, reputation affected, step in to deliver services directly.	Terminate	Robust procurement processes. External consultancy support used. Clear specifications and conditions. Contract monitoring officers and client teams and regular monitoring meetings in place. Legal conditions in contract. Full monitoring regime in place, and regular real time reporting procedures. Weekly / Monthly updates to review progress. Contract Management Forum established in Nov 2013. Developing corporate wide "Centre of Excellence" approach in contract management and Toolkit development. EU Directives complied with.	Open	06/09/2017		LT	1	4	4	
12	Lack of affordable housing in the Borough to meet demand, homelessness increases, placing pressures upon temporary accommodation & bed and breakfast	homeless / vulnerable families and individuals have no accommodation or unsuitable accommodation creating health, wellbeing and safety issues The council is unable to fulfil its statutory duty towards homeless households by offering a sufficient supply of suitable affordable accommodation within the Borough. Unable to secure sufficient suitable affordable accommodation on privately developed sites due to viability issues. Unable to source sufficient affordable accommodation in the private rented sector due to the difference between local housing allowance rates and private rental income.	Increased cost to the council in finding temporary accommodation. Increased legal challenges as homeless families placed outside of the Borough. Families split up and disconnected from their support networks, schools work	Treat	Joint venture with Watford Community Housing to increase amount of both temporary and affordable housing. Use of redundant garage sites to build temporary accommodation. Framework contract with accommodation providers to get better rates. Making better use of property assets to lever more affordable housing. Make use of commuted sums from developers for affordable housing and the councils own capital receipts	open	06/09/2017		Nick Fenwick	3	4	12	Risk 8 merged following review by LT 5.12.17
13	Failure to ensure our ICT systems remain fit for purpose and services can maintain service delivery	Inadequate resources secured both in-house and external leading to a skill set gaps. Inadequate contract management, poor process & lack of procedures, poor governance. Service not fit for purpose. Failure of hardware and software.	Services unable to operate business as usual due to service interruption and down time. Security breaches leading to loss of information and reputation. Loss of income. High resident and customer dissatisfaction	Treat	ICT strategy being developed. Resources being spent to upgrade hardware. Stronger contract management and governance arrangements around new projects. Staff structure being implemented.	Open	06/09/2017		LT	3	3	9	
14	Revenues and Benefits Service remains fit for purpose	Productivity of the service slips, leading to delays in processing claims and recovering income. Loss of subsidy from DWP due to LA error; Failure to keep IT systems up to date	Claimants do not receive their benefits in a timely manner leading to arrears, evictions and more homelessness. Council experiences issues of cash flow due to income not being collected. Reputation of the Council damaged. Government intervention.	Treat	Monitoring of workload being constantly reviewed. External resource engaged to process routine change of circumstances.	Open	06/09/2017		Jane Walker	2	3	6	
15	Failure to find a suitable site for a new cemetery	Insufficient space in the medium to long term to cope with the demand for burials.	Residents unable to bury their loved ones in the Borough.	Tolerate	Project brief being scoped for approval, including budget and timescale. Further details to follow, including project risk mitigation measures.	Open	06/09/2017		Alan Gough	2	4	8	
16	Impact on the Town as a result of the Metropolitan Line Extension not taking place due to funding shortage	Failure of central government and the Mayor of London to agree finance	Potential slow down in interest and investment in Watford. Need to make careful assessments and judgements of future development applications on a piecemeal basis and a case by case basis in the short term.	Treat and Tolerate	Work under way to develop a medium term and longer term strategy/policies including exploring any other opportunities as an alternative to the fixed rail MLX.	open	02/03/2018	Manny Lewis	Nick Fenwick	3	3	9	Discussions commenced with Herts County Council on options. New planning applications being considered in the light of the decision to mitigate any potential harm. New statutory Local Plan will need to take this into account and potential other

Report to: Audit Committee

Date of meeting: 15 March 2018

Report of: Head of Finance

Title: Changes to Accounting Policies
2017/18 Annual Statement of Accounts

1.0 SUMMARY

- 1.1 It is recommended best practice that this committee is informed of any significant changes to the council's accounting policies that are followed when compiling the annual statement of accounts. This report informs them that there are no significant changes.

2.0 RISKS

- 2.1 There are no risks associated with the decisions members are being asked to make.

3.0 RECOMMENDATIONS

- 3.1 That the Committee notes that there are no significant changes to the council's accounting policies.

Contact Officer:

For further information on this report please contact: -
Bob Watson, Head of Finance (shared services)
telephone extension: 7188
email: bob.watson@threeivers.gov.uk

Report approved by: Joanne Wagstaffe, Director of Finance

4.0 **DETAILS**

4.1 There are no significant changes to the accounting policies to be reported at this stage. If any changes to the accounting policies are identified as part of the compilation of the 2017/18 accounts, these will be brought back to this committee as part of the draft 2017/18 Statement of Accounts at the next meeting.

4.2 The Accounts and Audit Regulations 2015 contain a key change to the timetable for the production of Local Authority Accounts. From the 2017-18 financial year the timetable for the preparation and approval of accounts has been brought forward. Draft accounts must be published by 31 May (previously 30 June) and final audited accounts published by 31 July (previously 30 September). The Government believes that this change will reduce the burden of the closure process, enabling finance staff to give more time to in – year management.

5.0 **IMPLICATIONS**

5.1 **Financial**

5.1.1 None specific.

5.2 **Legal Issues** (Monitoring Officer)

5.2.1 None specific.

5.3 **Equalities**

None specific.

5.4 **Potential Risks**

APPENDICES: None



Watford Borough Council
Audit Committee Progress Report
15 March 2018

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 23 February 2018
- Approve amendments to the Audit Plan as at 23 February 2018
- Agree removal of implemented recommendations (see Appendix C)
- Agree changes to the implementation dates for 9 recommendations (paragraph 2.5) for the reasons set out in Appendix C

Contents

1 Introduction and Background

1.1 Purpose

1.2 Background

2 Audit Plan Update

2.1 Delivery of Audit Plan and Key Audit Findings

2.3 Status of Audit Recommendations

2.7 Proposed Audit Plan amendments

2.8 Performance Management

Appendices

A Progress against the 2017/18 Audit Plan

B 2017/18 Audit Plan Projected Start Dates

C Progress against Outstanding Internal Audit Recommendations

1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2017/18 as at 23 February 2018.
 - b) Proposed amendments to the approved 2017/18 Annual Audit Plan.
 - c) Implementation status of all outstanding previously agreed audit recommendations from 2015/16 onwards.
 - d) An update on performance management information as at 23 February 2018.

Background

- 1.2 The work of internal audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.
- 1.3 The 2017/18 Annual Audit Plan was approved by Audit Committee on 16 March 2017.
- 1.4 The Audit Committee receives periodic updates on progress against the Annual Audit Plan from SIAS, the most recent of which was brought to this Committee on 7 December 2017.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 23 February 2018, 87% of the 2017/18 Audit Plan days had been delivered for the combined WBC and Shared Services plans (calculation excludes 'To Be Allocated'). Appendix A provides a status update on each individual deliverable within the audit plan.
- 2.2 Two 2017/18 reports have been finalised since the date of the last committee:

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Debtors	Dec '17	Substantial	None
Benefits	Jan '18	Full	None

Status of Audit Recommendations

- 2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management and includes an agreement to implement the recommendations made. It is SIAS's responsibility to bring to Members' attention the implementation status of all audit recommendations. It is the responsibility of officers to implement recommendations by the agreed date.
- 2.4 The table below summarises progress in implementation of all outstanding internal audit recommendations as at November 2017, with full details given in Appendix C:

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & request made for extended time*	Percentage implemented %
2015/16	56	54	1	1	96%
2016/17	35	29	0	6	83%
2017/18	17	12	3	2	71%

*or no update provided.

- 2.5 Since December 2017 Audit Committee, an extension to the implementation date has been requested by the action owner for the following audits:
- One from the 2015/16 Safeguarding audit,
 - Five from the 2015/16 Tree Surveying audit,
 - One from the 2016/17 Starters & Leavers audit,
 - One from the 2017/18 Procurement Processes – contract signing audit, and
 - One from the 2017/18 Council Tax audit.

Proposed Audit Plan Amendments

- 2.7 The following amendments to the 2017/18 Audit Plan have been agreed with officers of the Council and are detailed below for Audit Committee approval:

Deletions

- Home Improvement Agency audit cancelled as the transfer cases to the new HCC hosted service only started in December. Will be considered for inclusion in the 2018/19 Audit Plan as cross-Council review with contributions from all partners. Eight days returned to the 'To Be Allocated' budget (shared services audit plan).

Changes

- Council Tax and NDR audit budgets (from the shared services audit plan) increased from 12 to 14 days each to cover scope agreed with

the Head of Revenues and Benefits. Four days taken from the 'To Be Allocated' budget.

Performance Management

Reporting of Audit Plan Delivery Progress

- 2.8 To help the Committee assess the current situation in terms of progress against the projects in the 2017/18 Audit Plan, we have provided an analysis of agreed start dates at Appendix B. These dates have been agreed with management and resources allocated accordingly. This is designed to facilitate smoother delivery of the audit plan through the year.
- 2.9 Annual performance indicators and associated targets were approved by the SIAS Board in March 2017. Actual performance for Watford Borough Council against the targets that can be monitored for 2017/18 is shown in the table below.

Performance Indicator	Annual Target	Profiled Target to 23 February 2018	Actual to 23 February 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency).	95%	90% (260 / 289.5 days)	87% (252.5 / 289.5 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects (excludes 2015/16 completion and 'on-going' pieces).	95%	76% (16 out of 21 projects to draft)	71% (15 out of 21 projects to draft)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%	100%	100%
4. Number of High Priority Audit Recommendations agreed	95%	95%	100% (3 recs made in 2017/18)

- 2.10 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2017/18 Head of Assurance's Annual Report:

- **5. External Auditors' Satisfaction** – the Annual Audit Letter should formally record whether or not the External Auditors are able to rely upon the range and the quality of SIAS' work.
- **6. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting then the plan should be prepared for the first meeting of the civic year.
- **7. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AT 23 FEBRUARY 2018

2017/18 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Key Financial Systems								
Benefits (shared plan)	Full	0	0	0	14	Yes	14	Final report issued
Council Tax (shared plan)	Substantial	0	2	1	14	Yes	14	Final report issued
Creditors (shared plan)					10	Yes	9.5	Draft report issued
Debtors (shared plan)	Substantial	0	0	0	10	Yes	10	Final report issued
Main Accounting (shared plan)					12	Yes	11.5	Draft report issued
NDR (shared plan)	Substantial	0	1	0	14	Yes	14	Final report issued
Payroll (shared plan)	Substantial	0	0	1	12	Yes	12	Final report issued
Treasury Management (shared plan)					10	Yes	6	In fieldwork
Budget Monitoring (shared plan)					8	Yes	2	In fieldwork
Operational Audits								
Home Improvement Agency					0	N/A	0	Cancelled
Funding Streams – Lessons learnt					12	Yes	11.5	Draft report issued
Capital Projects & Project Management					12	Yes	4	In fieldwork
Housing Improvement Plan					8	Yes	3	In fieldwork
Commercialisation					0	N/A	0	Cancelled
Starters & Leavers – consultancy review of new process (shared plan)	N/A	0	0	0	6	Yes	6	Complete
DFG Capital Grant Certification	N/A	-	-	-	1	Yes	1	Complete
New Watford Market – financial					20	Yes	10	In fieldwork

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AT 23 FEBRUARY 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
appraisal								
Procurement								
Contract Management					10	Yes	6	In fieldwork
Procurement Processes – Contract Signing	Moderate	0	3	0	10	Yes	10	Final report issued
Counter Fraud								
Local Authority Serious and Organised Crime Checklist (shared plan)	N/A	-	-	-	15	Yes	15	Final report issued
Risk Management and Governance								
No audits planned in 2017/18								
IT Audits								
Follow up of legacy IT audit recommendations (shared plan)	Moderate	0	4	0	8	Yes	8	Final report issued
Cyber Security (shared plan)	Limited	3	3	0	12	Yes	12	Final report issued
SIAS Joint Work								
Shared Learning Newsletters					3	N/A	3	Complete
Joint Reviews– topics to be determined					0	N/A	0	Cancelled
Shared outcomes from Local Authority Serious and Organised Crime Checklist review					3	N/A	1	In fieldwork

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AT 23 FEBRUARY 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Ad Hoc Advice								
Ad Hoc Advice					3.5	N/A	3	In progress
To Be Allocated								
Unused contingency (shared plan)					30			
Strategic Support								
Head of Internal Audit Opinion 2016/17					2	N/A	2	Complete
External Audit Liaison					1	N/A	1	Complete
Audit Committee					10	N/A	9	Ongoing
Monitoring & Client Liaison					12	N/A	11	Ongoing
2018/19 Audit Planning					8	N/A	8	Complete
SIAS Development					3	N/A	3	Complete
AGS					4	N/A	4	Complete
Follow-up of recommendations					10	N/A	10	Complete
Completion of 2016/17 audits								
Time required to complete work commenced in 2016/17 (7 days shared; 5 days WBC)					12	N/A	12	Complete
WBC TOTAL					137.5		111.5	

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AT 23 FEBRUARY 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
SHARED SERVICES TOTAL					182		141	
COMBINED TOTAL					319.5		252.5	

Key to recommendation priority levels:

H = High

M = Medium

MA = Merits attention

N/A = Not applicable

APPENDIX B - 2017/18 AUDIT PLAN PROJECTED START DATES

Apr	May	June	July	August	September
Revenues & Benefits System Parameter Testing (shared plan)* Complete	Funding Streams Draft report issued	Procurement Processes – Contract Signing Final report issued	Local Authority Serious and Organised Crime (shared plan) Final report issued		Contract Management In fieldwork
	Follow up of legacy IT Audit Recommendations & Extended DR Scope (shared plan) Final report issued				DFG Capital Grant Certification Complete
	Cyber Security (shared plan) Final report issued				
	Starters & Leavers (shared plan) Final report issued				

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October	November	December	January	February	March
Council Tax (shared plan) Final report issued	NDR (shared plan) Final report issued	Creditors (shared plan) Draft report issued	Treasury Management (shared plan) In fieldwork	Budget Monitoring (shared plan) In fieldwork	

APPENDIX B - 2017/18 AUDIT PLAN PROJECTED START DATES

Debtors (shared plan) Final report issued	Benefits (shared plan) Final report issued	Main Accounting (shared plan) Draft report issued	Housing Improvement Plan In fieldwork	Capital Projects & Project Management In fieldwork	
	Payroll (shared plan) Final report issued	New Watford Market – financial appraisal In fieldwork			

Audit Plan 2015/16

Data Protection 2015/16							
Final report issued October 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	The Authority should also consider putting in place an overarching Data Sharing Protocol / Policy, which would provide a framework for the authority, helping them adopt good practices with regard to Data Sharing.	Medium	<p>Head of Democracy and Governance to develop a protocol.</p> <p>Position – November 2015 Not yet due</p> <p>Position – February 2016 Not started due to work commitments.</p> <p>Position – June 2016 Not yet due.</p> <p>Position – September 2016 Still to be developed.</p> <p>Position – November 2016 Draft being looked at.</p> <p>Position – February 2017 Still to be progressed.</p> <p>Position – June 2017 Due to the GDPR to be introduced from May 2018 we will need to review our whole DP processes. A working group is being set up to consider the implications</p> <p>Position – September 2017 Working group established. Data audit being undertaken as part of the service</p>	Head of Democracy and Governance	31 January 2016	*	<p>30 June 2016</p> <p>1 January 2017</p> <p>1 June 2017</p> <p>31 May 2018</p>

Data Protection 2015/16							
Final report issued October 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			transformation project. Position – November 2017 Data audits being worked through. Position – February 2018 Contracts with third parties and data sharing agreements are being looked at to ensure GDPR compliance.				

Safeguarding 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	We recommend that the next review be approved by Leadership Team and Members.	Medium	Agreed, will take next review to Leadership Team and Cabinet. Position – February 2016 Leadership Team report re- scheduled for March 2016. Position – June 2016 Due to recent structure changes, a report to CABINET to be moved till the Autumn to allow time to have a review of Safeguarding roles and responsibilities. The current structure remains and CSE has been included in the policy and procedures. Position – September 2016 LT report scheduled for October.	Culture and Play Section Head Head of Environmental Health & Licensing	31 January 2016 (Leadership Team)	*	31 March 2016 31 October 2016 31 July 2017 31 October 2017 31 January 2018 30 June

Safeguarding 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>Position – November 2016 Due to changes in service provision e.g. recent cessation of direct provision of Play Services, it has been agreed to conduct a full and comprehensive review of safeguarding roles, procedures, policy and resources between April – July 2017. In the interim the Section Head for Culture and Play will provide the lead, conduct a self-assessment and make any relevant recommendations to LT for the review team to consider.</p> <p>Position – February 2017 In progress</p> <p>Position – June 2017 The lead for the review has been allocated to the Head of Environmental Services and Licensing. This allows the Head of Culture and Events to manage the existing day to day matters of safeguarding whilst the review takes place. The Head of Culture and Events has developed a brief for the review which is being developed. The Review is set to be completed in October 2017 with implementation now scheduled for April 2018.</p> <p>Position – September 2017 Review scope being approved ready for implementation. Completion date should be revised as whilst the review will be complete the report to leadership team will require an implementation plan so this will be ready in January to enable implementation by April as previously reported.</p>				2018

Safeguarding 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>Position – November 2017 Review in progress, project team agreed, brief agreed and PID being developed for final approval.</p> <p>Position – February 2018 PID approved and procurement completed for external consultant to undertake review. Timescales to allow proper review mean a revised date of June 2018 for report to leadership team that will include action/improvement plan. In addition this will be timed to incorporate any outcomes from the self-assessment and feedback from Herts County Council who are meeting with the Managing Director and Safeguarding Lead in March 2018.</p>				

Freedom of Information 2016/17							
Final report issued August 2016							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
04	We also recommend that the Lead Officer's half year report could be improved by detailing the FOI and EIR request split and including details of reviews / appeals which indicate additional staff time used.	Merits Attention	<p>Once Client Liaison Officers have been trained and are differentiating the requests</p> <p>Position – September 2016 No further update on above as final audit report only issued on 11 August 2016.</p> <p>Position – November 2016 Will be progressed for next half yearly report.</p> <p>Position – February 2017 As November comment. Half yearly report not yet due.</p> <p>Position – June 2017 Due to changes in personnel in Customer Services and issues with the Lagan CRM this has not been progressed</p> <p>Position – September 2017 Will endeavour to introduce for next half yearly report.</p> <p>Position – November 2017 Half yearly report due to be issued at next Audit Committee.</p> <p>Position – February 2018 Completed</p>	Head of Democracy & Governance	30 April 2017	✓	31 October 2017 7 December 2017

Tree Surveying 2016/17							
Final report issued April 2017							

WBC Internal Audit Recommendations Follow Up – February 2018

APPENDIX C

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>We recommend that during the review process to finalise the Woodland and Tree Strategy, the Council ensures that the strategy addresses the following:</p> <p>a) Measurement of the aims and objectives contained within the strategy;</p> <p>b) Frequency of inspections to be completed, both routine and high risk trees; and</p> <p>Detail of the maintenance programmes to be adopted.</p>	Merits Attention	<p>The strategy is meant to be an overview of trees and woodlands and intended to take a more strategic overview of tree and woodland management in the Borough. However, what this has raised is that the specification in the Parks and Open Spaces contract documentation, detailing what is required of Veolia does not cover enough detail in relation to planned maintenance and there is a clear emphasis on reactive management rather than proactive management. A review of the specification needs to be undertaken and ensure that the Strategy is aligned with this.</p> <p>Position – June 2017 As above.</p> <p>Position – September 2017 As above but delayed due to Cassiobury Park operational issues.</p> <p>Position – November 2017 No update received.</p> <p>Position – February 2018 The overarching Green Spaces Strategy is currently being reviewed as part of the Local Plan 2 work and this has the wider view of Trees and Woodlands. An action plan will be updated within this to ensure trees, woodlands and biodiversity are included and the need to update the Tree and Woodland Strategy. This will eventually be approved by PFH or Cabinet.</p>	Section Head Parks, Open Spaces and Projects	30 September 2017 and to be presented to Strategic Partnership Board.	*	31 December 2017 31 May 2018
02	We recommend that the Council develops a planned approach to tree inspections that is forward looking, proactive and achievable.	Medium	As above, this needs to be re-visited and assessed by the WBC client team as was not in the original specification. A report will be presented to Strategic Partnership Board as this will impact on the current contract and will	Section Head Parks, Open Spaces and Projects	30 September 2017 and to be presented to Strategic Partnership	*	31 December 2017 31 May

WBC Internal Audit Recommendations Follow Up – February 2018

APPENDIX C

	<p>An inspection programme should be developed that allows prioritisation of inspections for high risk trees but also supports the Council in inspecting all trees within a three year rolling period.</p> <p>As tree inspections are contracted to Veolia, the Council may wish to consider requesting reports on the number of trees inspected each month / quarter to verify that the contractor is on target to complete all inspections due.</p>		<p>result in a contract variation.</p> <p>Position – June 2017 As above.</p> <p>Position – September 2017 As above but delayed due to Cassiobury Park operational issues.</p> <p>Position – November 2017 No update received.</p> <p>Position – February 2018 The overarching Green Spaces Strategy is currently being reviewed as part of the Local Plan 2 work and this has the wider view of Trees and Woodlands. An action plan will be updated within this to ensure trees, woodlands and biodiversity are included and the need to update the Tree and Woodland Strategy. This will eventually.</p>		Board.		2018
03	<p>We recommend that risk assessments are completed that assess the impact and likelihood of emerging risks.</p> <p>We recommend that the risk assessments include, but are not limited to:</p> <ul style="list-style-type: none"> a) Tree disease; b) Vandalism; and c) Storm damage. <p>The risks should be considered when developing the inspection programme, recommended at 2 above.</p>	Merits Attention	<p>Whilst individual risks can be quantified regarding condition by the application of a proprietary system such as QTRA (Quantified Tree Risk Assessment), this system would require a surveyor to be trained but can be activated on Ezytreev at no additional cost and could be incorporated into inspections. To quantify the risks in a, b and c are more difficult to assess and we would need more clarity on this.</p> <p>Position – June 2017 No courses available until September / October 2017 but we will register an interest.</p> <p>Position – September 2017 As above but delayed due to Cassiobury Park operational issues.</p>	Arboricultural Officer	30 June 2017	*	<p>30 Sept 2017 and to be presented to Strategic Partnership Board.</p> <p>31 December 2017</p> <p>31 May 2018</p>

WBC Internal Audit Recommendations Follow Up – February 2018

APPENDIX C

			<p>Position – November 2017 No update received.</p> <p>Position – February 2018 The overarching Green Spaces Strategy is currently being reviewed as part of the Local Plan 2 work and this has the wider view of Trees and Woodlands. An action plan will be updated within this to ensure trees, woodlands and biodiversity are included and the need to update the Tree and Woodland Strategy. This will eventually.</p>				
04	<p>We recommend that a maintenance programme is developed and implemented.</p> <p>The maintenance programme should consider the works that have been identified from inspections completed, the priority level given and the risk indicator of the tree.</p> <p>The maintenance programme should be fully costed to provide the Council with a tool for setting the budget for tree related works.</p>	Medium	<p>A proactive maintenance programme does need to be developed and costed – additional funding may be required to carry out an updated survey.</p> <p>The figure of 5,150 trees requiring work includes all work both safety and what could be described as desirable and not essential therefore gives a higher weighted figure.</p> <p>Position – June 2017 As above.</p> <p>Position – September 2017 As above but delayed due to Cassiobury Park operational issues.</p> <p>Position – November 2017 No update received.</p> <p>Position – February 2018 The overarching Green Spaces Strategy is currently being reviewed as part of the Local Plan 2 work and this has the wider view of Trees and Woodlands. An action plan will be updated within this to ensure trees, woodlands and biodiversity are included and the need to update the Tree and Woodland Strategy. This will</p>	Section Head Parks, Open Spaces and Projects	30 September 2017 and to be presented to Strategic Partnership Board.	*	<p>31 December 2017</p> <p>31 May 2018</p>

WBC Internal Audit Recommendations Follow Up – February 2018

APPENDIX C

			eventually.				
05	We recommend that, in order to ensure continuity of service, that policies and procedures relating to tree inspections, maintenance and works are developed.	Medium	<p>As above, this needs to be re-visited and assessed by the WBC client team as was not in the original specification. A report will be presented to Strategic Partnership Board as this will impact on the current contract and will result in a contract variation.</p> <p>Position – June 2017 As above.</p> <p>Position – September 2017 As above but delayed due to Cassiobury Park operational issues.</p> <p>Position – November 2017 No update received.</p> <p>Position – February 2018 The overarching Green Spaces Strategy is currently being reviewed as part of the Local Plan 2 work and this has the wider view of Trees and Woodlands. An action plan will be updated within this to ensure trees, woodlands and biodiversity are included and the need to update the Tree and Woodland Strategy. This will eventually.</p>	Section Head Parks, Open Spaces and Projects	30 September 2017 and to be presented to Strategic Partnership Board.	*	31 December 2017 31 May 2018

Starters & Leavers 2016/17							
Final report issued May 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
03	We recommend that the Organisational Development team should ensure that starters complete	Medium	Agreed Position – June 2017	HR Managers (job share post)	31 July 2017	*	31 December 2017

Starters & Leavers 2016/17 Final report issued May 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	all mandatory courses and reminders are sent to line managers where necessary.		<p>In progress.</p> <p>Position – September 2017 At present, the OD team receive an automated email via RL alerting them of new starters. A welcome email is sent, including log in details for the elearning they need to undertake. At present we are relying on the member of staff/manager to complete these as due to technical issues with Vine (the software provider for the elearning), we are currently unable to run a reliable report on who has/has not completed the elearning so it would not be possible for us to chase them. The Council's e-learning platform is being upgraded from October 2017, this will include updating our modules, improved user friendliness and access to reporting tools, so that HR and managers can review staff completion levels. Once these technical issues have been ironed out, we will be able to run a report of all new starters per quarter and confirm they completed their e-learning modules.</p> <p>A timeline is being reviewed with the supplier for our upgrade but will be in place by end December 2017 at the latest.</p> <p>Position – November 2017 Plans are still moving ahead for a new e-learning platform and reporting tools in December. The provider will be coming in to carry out a demonstration shortly.</p> <p>In the meantime, the e-learning compliance is:</p> <ul style="list-style-type: none"> - Review new starter spreadsheet for 				<p>30 April 2018</p>

Starters & Leavers 2016/17 Final report issued May 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			starters - Check e-learning compliance (3-months from start date) (This will tie in with the 3-month probation period when all e-learning should be completed and managers do have this on their induction checklist) - Send reminder to Staff / Manager to complete e-learning - Follow up with staff monthly. Position – February 2018 The contract with our existing provider is being reviewed; our existing contract expires 30 April 2018, rather than rely on a ‘quick report fix’ and in-line with the digital transformation and improving administrative efficiency, a recommendation is being proposed to the Council’s leadership team to upgrade our e-learning offer to an automated LMS, either through our current provider (Creative Learning Solutions) or Hertfordshire County Council. It has been recognised that our e-learning platform requires modernisation. The upgrade will include: - A managed service with improved reporting to monitor e-learning compliance. This will include quarterly reports for HR and Subject Matter Experts to pro-actively review compliance (this will remove the				

Starters & Leavers 2016/17 Final report issued May 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>technical errors the Council has been facing regarding reporting)</p> <ul style="list-style-type: none"> - Increased access to content: a suite of over 50 mandatory, personal & professional modules - Modernise how staff access e-learning and learning opportunities - Updating our existing Moodle themes (modernise the image / look of the platform) - Use of Plugins to enable videos and webinars (phase 2) - Track and Update one system with staff training records (phase 2) <p>The project is going to our IT Steering Group on 27th Feb for approval so firm dates for implementation will be developed following this.</p>				
05	We recommend that IT in conjunction with HR agree and implement a robust process for granting / deleting IT systems access for starters and leavers, including where possible the use of e-forms via the Intranet. This should cover roles and responsibilities and the retention of supporting evidence for actions taken. Details of starters and leavers could be circulated on a regular basis (say monthly) to Heads of Service and Leadership Team / Management Board in order to raise visibility across services.	Medium	Agreed. Position – June 2017 In progress. Position – September 2017 Starter/Leaver information is given to IT via the starter/leaver form. We have not yet been able to create an embedded form (due to technical issues) but we are working on a resolution for this. A monthly list of starters/leavers is provided for LT/MB. Position – November 2017 We are no closer to the creation of an embedded form. However, this is in no way affecting the process success. We will	HR Managers (job share post)	31 July 2017	✓	31 March 2018

Starters & Leavers 2016/17 Final report issued May 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			continue to work towards a solution to the embedded forms. Position – February 2018 The creation of an embedded form has not yet been possible but this is in no way detracting from our ability to carry out an effective starters/leavers process, which is now working successfully. We continue to provide starters/leavers reports to LT/MB. There is a wider project planned (starting imminently) on modernising the whole of the recruitment process and as the starters/leavers is a small part of this, the focus is now on making some bigger and more positive changes to the way we recruit. It is planned that the starters/leavers embedded form will form a part of this project but I would consider this objective to be completed as the embedded form is not necessary for the success of the process.				

Audit Plan 2017/18

Follow Up of IT Audit Recommendations and Extended DR Scope 2017/18							
Final report issued August 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	In partnership with the Councils' continuity teams, the business continuity plans and IT disaster recovery plans should be reviewed and, where necessary, updated so that expectations of all stakeholders are met.	Medium	<p>Agreed - This will be raised with the continuity teams within both Councils.</p> <p>Position - September 2017 As above – final report only issued recently.</p> <p>Position – November 2017 In progress. Revision of recovery time objectives for systems to be issued to all service heads.</p> <p>Position – February 2018 Completed. All services confirmed recovery time expectations. ICT BC plan confirmed for review on 20 March 2018.</p>	ICT Section Head	31 December 2017	✓	
02	<p>Management should arrange for a full test of its IT disaster recovery plan to be carried out.</p> <p>In the interim period, Management should arrange for a table-top</p>	Medium	<p>Agreed - A test will be arranged and elements of the Plan will be tested when the opportunity arises.</p> <p>Position - September 2017 As above – final report only issued recently.</p>	ICT Section Head	31 December 2017	✓	

Follow Up of IT Audit Recommendations and Extended DR Scope 2017/18							
Final report issued August 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	exercise to be performed and for elements of the IT disaster recovery plan to be tested.		<p>Position – November 2017 This is currently being scheduled. Likely to be January as the IT service resources pre Xmas are focused on: Network upgrade, migration of data to the new Storage solution, implementation of the new backup solution. IT service agreed that it makes sense to DR with the new backup solution in place.</p> <p>Position – February 2018 Completed. DR test held for some key systems from 23rd January to 26 January 2018. ICT was able to test recovery from backup tapes and test recovery of both physical and virtual servers. Wider estate test to be completed post core infrastructure completion – Q4 18/19.</p>				
04	<p>The status of the rollout of the MDM solution to mobile devices should be reported on to senior management.</p> <p>Issues encountered should be assessed and appropriate action taken to prevent the rollout from being delayed.</p>	Medium	<p>Agreed - The MDM roll out will be monitored.</p> <p>Position - September 2017 As above – final report only issued recently.</p> <p>Position – November 2017 On track. Testing for MDM solution (Mobile Iron), procured earlier this year. This will be deployed as part of the Active Directory migration project and installed on all corporate mobile devices e.g. corporate mobile phones and surface pro devices. Laptops will be encrypted as part of the same process. Testing is already underway.</p> <p>Position – February 2018 On track. Installation and configuration complete. Pilot user rollout for testing to</p>	ICT Section Head	30 June 2018	*	

Follow Up of IT Audit Recommendations and Extended DR Scope 2017/18							
Final report issued August 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			commenced Feb 2018.				

Cyber Security 2017/18							
Final report issued September 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>Management should review and revoke elevated access rights from user accounts where they are found to be inappropriate or no longer required.</p> <p>Elevated permission should not be granted to a user's standard network account and should only be accessed where there is a demonstrable reason.</p> <p>There should be a record of the accounts that have been granted elevated permissions, which is reviewed for adequacy on a routine basis.</p>	High	<p>Agreed – The Service is in the process of reviewing these accounts and, where possible reviewing this access</p> <p>Position - September 2017 As above – final report only recently issued.</p> <p>Position – November 2017 Accounts with elevated access rights have been reviewed: WBC 72 from the original 223 TRDC 68 from the original 204</p> <p>Next phase is to work with suppliers to provide delegated rights.</p> <p>Policy in place to ensure that any domain administrator accounts are only created once they have been approved at Change Board (held weekly).</p> <p>Position – February 2018 Process in place now to create a log of any</p>	ICT Section Head	31 December 2017	✓	

Cyber Security 2017/18							
Final report issued September 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			user granted elevated permissions of any kind e.g. Read only access to a server.				
02	<p>All devices that are running unsupported operating systems should be upgraded to run operating systems that are supported by the developer.</p> <p>Where it is not possible to upgrade the operating system of a device, it must be isolated from the Councils' IT network and appropriate security controls implemented.</p>	High	<p>Agreed – This will be discussed with the relevant IT system owners in order to agree the best way forward to migrate off of legacy operating systems.</p> <p>TRDC XP machines – down to: 2</p> <p>WBC XP machines – down to: 0</p> <p>Decommissioning is part of the core infrastructure programme. Since Jan 2017 67 servers have been decommissioned.</p> <p>Position - September 2017 As above – final report only recently issued.</p> <p>Position – November 2017 Significant progress. 96 servers have now been decommissioned. There are 45 remaining with an unsupported operating system installed. All servers have been reviewed and there is an associated plan in place to upgrade and/or decommission. The majority of these services have associated services or impact line of business applications, and need to be upgraded in line with services.</p> <p>TRDC XP machine: 1. This is a system that provides telephone reports. The hardware and OS has been further secured, reducing the risk, by removing all Internet and Email access.</p>	ICT Section Head	30 June 2018	*	

Cyber Security 2017/18 Final report issued September 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Position – February 2018 On track. Further decommissioning / upgrades of servers completed.				
06	There should be a record of the configuration of the Councils' firewalls, which includes but is not limited to: <ul style="list-style-type: none"> • The purpose of all of the rules and the associated services • The expected configuration and activity for each rule • The member of staff that requested the rule • The member of staff that approved the rule. Firewall rules should be reviewed on a routine basis. The IT network diagram should be updated so that it accurately reflects the design of the IT network.	Medium	Agreed – The IT network diagram has now been updated and the review of the firewall rules is ongoing. Position - September 2017 As above – final report only recently issued. Position – November 2017 This is underway. All firewall changes already go through a change process and there is now a policy and associated procedure in place in order to inform a central infrastructure document where all firewall rules are recorded. The retrospective piece is underway, however this is a time-consuming piece of work. Position – February 2018 On track.	ICT Section Head	30 June 2018	*	

Procurement Process – Contract Signing 2017/18 Final report issued September 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	We recommend that:	Medium	Agreed	Procurement Manager	31 March 2018	*	30 April 2018

Procurement Process – Contract Signing 2017/18 Final report issued September 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	a) Contract Managers are given sufficient training to understand what a Letter of Intent is and when it is required.		Position - November 2017 In progress. Position – February 2018 Letter of Intent Lunch & Learn session arranged with HR for Wednesday 25th April 2018.				
02	We recommend that: a) Legal Services should put a checklist in place for setting up of contracts, which could include steps that need to be followed to set up a contract along with timescales as a guide for contract managers.	Medium	Agreed Position - November 2017 In progress. This has been drafted and circulated for comment, I need to assimilate that feedback and complete the checklist. Position – February 2018 Checklist completed and issued 19 December 2017.	Senior Solicitor	1 November 2017	✓	31 December 2017

Council Tax 2017/18 Final report issued November 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	Revenues Officers should be reminded to enter provisional end dates for Student Exemptions.	Medium	Billing Team Leader to review on a quarterly basis. Position – February 2018	Billing Team Leader	31 December 2017	✓	

Council Tax 2017/18							
Final report issued November 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	An exercise should be performed to check existing Student Exemptions cases to ensure that dates are in place. This review should be undertaken annually in future.		Exercise completed and will be targeted quarterly by Billing Team Leader .				
02	Revenues Officers should be reminded to enter review dates for Disabled Discounts. An exercise should be performed to check existing Disabled Discount cases to ensure that review dates are in place. This review should be undertaken annually in future.	Medium	Billing Team Leader to review with the assistance of our Inspectors annually. Position – February 2018 Accounts targeted and reviewed template prior to issuing annual review .	Billing Team Leader	31 December 2017	*	31 March 2018
03	Revenues, Customer Services and Enforcement Agents entering hold codes on Council Tax accounts, should be reminded of the requirement to monitor and remove hold codes and 'RECOVERY STOPPED' alerts following the end of the period of recovery suppression.	Merits Attention	Recovery Team Leader to review monthly as and when recovery notices are issued, i.e. review reports for Officer's expired diary dates. Position – February 2018 Recovery Team Leader review recovery reports for potential recovery HOLDS.	Recovery Team Leader	31 December 2017	✓	

NDR 2017/18							
Final report issued November 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	We recommend that:	Medium	Agreed.	Revenues Manager	Immediate	✓	

NDR 2017/18 Final report issued November 2017							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	<ul style="list-style-type: none"> A review is undertaken of Business Rates Write-Off Procedure and that the final version is approved in accordance with the respective Constitutions of TRDC and WBC, as appropriate, The Write-Off Procedure is harmonised with the Write-Off Form and details of exceptions are included where amounts to be written off above £3,000 that do not need to be prepared for Committee approval, <p>Write-offs should be approved in accordance with the current delegations. Consideration should also be given to whether it is appropriate to exclude write-offs of amounts over £3,000 where the claimant has died from Committee approval and incorporation on the list of exceptions within the Write-Off Procedure, as appropriate.</p>		<p>Position – February 2018 Completed.</p>				

Agenda Item 9

Report to: Audit Committee

Date of meeting: 15 March 2018

Report of: Bob Watson – Head of Finance

Title: **SIAS Internal Audit Plan for 2018/19**

1.0 SUMMARY

- 1.1** Each year, following meetings with senior officers of the Council, the Head of Finance publishes the annual internal audit plan. These audits are carried out by SIAS on behalf of the Council.
- 1.2** Presented here are the proposed internal audit plans for WBC and Shared Services for agreement by Audit Committee.

2.0 RISKS

2.1	Nature of risk	Consequence	Suggested control measure	Response (Treat, tolerate, terminate, transfer)	Risk rating (the combination of severity and likelihood)
	Audit Committee do not agree audit plan.	No audit plan will be agreed by Audit Committee. Audit Committee will receive no internal audit assurance of good governance. External Audit may 'qualify' accounts.	Plan agreed incorporating any amendment from Audit Committee	Treat	3 * 1 = 3

3.0 RECOMMENDATIONS

- 3.1** Audit Committee agree the Internal Audit Programme.
- 3.2** Audit Committee direct that progress against the programme will be reported to each Audit Committee, together with any recommendations from the Audit reports.
- 3.3** Audit Committee delegate authority to the Head of Finance to agree minor amendments to the programme with SIAS for operational reasons. Any amendments will be reported to the next available Audit Committee.

Contact Officer:

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email: bob.watson@threerivers.gov.uk

Report approved by: As above

4.0 DETAILED PROPOSAL

4.1 The attached report and appendices detail the SIAS internal audit plan for WBC and Shared Services for the next financial year.

4.2 Further context / background is below and includes a couple of areas that should also be considered by this committee:

WBC Plan

- GDPR Preparedness and the separate GDPR PIR will also feature in the TRDC plan and have been discussed and agreed with Phil King (TRDC) and Carol Chen respectively.
- There are six audits on the Reserve List.

Shared Services Plan

- The number of days set aside for the key financial audits has been reduced from 104 (in 2017/18) to 84. This is a higher proportionate reduction than the overall 10% (447 days down to 402 days) and reflects the strong levels of assurance given over the last 2-3 years in these areas.
- The overall allocation of days to IT audits is higher than in previous years. IT Contract Management is included as a specific audit; previous contract management audits across TRDC / WBC have excluded IT contracts so these have not been looked at before. Cyber Security is likely to feature as an annual audit for the foreseeable future. IT Operations is included to provide a review of the progress made by the service and will include both internal and external arrangements. All three IT audits have been agreed by the ICT shared service.
- For 18/19, no initial allocation has been made to contingency (To Be Allocated) as churn is likely in year and will therefore provide some flexibility to accommodate any new requests that may come in during the year.
- No reserve items were identified.

5.1 Implications

5.1.1 Financial

The Head of Finance comments that delivery of the plan will be monitored against the internal audit budget during the year and any variance reported to the appropriate committee.

5.1.2 Legal Issues (Monitoring Officer)

The Head of Democracy and Governance comments that having an effective internal audit service and plan is a requirement of good governance.

5.1.3 Equalities/Human Rights/Crime & Disorder

Under s149 (1) of the Equality Act the council must have due regard, in the exercise of its functions, to the need to –

- eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act
- advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them
- foster good relations between persons who share relevant protected characteristics and persons who do not share them.

Having had regard to the council's obligations under s149, it is considered that there are no equalities issues in this report and an EIA has not been undertaken.

6.0 APPENDICES

Internal Audit plan summaries and detailed plan

7.0 BACKGROUND PAPERS

No papers were used in the preparation of this report.



**Watford Borough Council
Audit Committee**

2018/19 Internal Audit Plan Report

15 March 2018

Recommendation

Members are recommended to approve the proposed Watford Borough Council and Shared Services Internal Audit Plans for 2018/19

Contents

1. Introduction and Background

- 1.1 Purpose
- 1.2 Background

2. Audit Planning Process

- 2.1 Planning Principles
- 2.2 Approach to Planning
- 2.4 Planning Context
- 2.7 Internal Audit Plan 2018/19

3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

Appendices

- A Proposed Watford Borough Council Audit Plan 2018/19
- B Proposed Watford and Three Rivers Shared Services 2018/19 Audit Plan
- C Audit Start Dates Agreed with Management

1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with the proposed Watford Borough Council and Shared Services 2018/19 Internal Audit Plans.

Background

- 1.2 The Watford Borough Council and Shared Services Internal Audit Plans set out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Internal Audit annual report.
- 1.3 The Shared Internal Audit Service (SIAS) Audit Charter which was presented to the July 2017 meeting of this Committee shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. An updated version of the SIAS Audit Charter will be brought to the first meeting of Audit Committee in the 2018/19 Civic year.
- 1.4 The PSIAS require that the audit plan must incorporate or be linked to a strategic or high-level statement which:
 - Outlines how the service will be developed in accordance with the internal audit charter
 - Details how the internal audit plan will be delivered
 - Evidences how the service links to organisational objectives and priorities
- 1.5 Section 2 of this report details how the SIAS complies with this requirement.

2. Audit Planning Process

Planning Principles

- 2.1 SIAS audit planning is underpinned by the following principles:
 - a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.

- b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the council's control arrangements.
- c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk;
- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, including recognition that in a resource constrained environment, all needs cannot be met.
- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge;
- g) Capacity to deliver key commitments including work undertaken on behalf of External Audit, governance work and counter fraud activity;
- h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS has continued with a methodology for all SIAS partners which contains the following elements:

Local and National Horizon Scanning

SIAS reviews, on an ongoing basis:

- key committee reports at each client and identifies emerging risks and issues;
- the professional and national press for risks and issues emerging at national level

Consideration of risk management arrangements

SIAS assesses the risk maturity of the council and based on this assessment, determines the extent to which information contained within the council's risk register informs the identification of potential audit areas.

Confirmation of the council's objectives and priorities

SIAS confirms the current objectives and priorities of the Council. This information is used to confirm that identified auditable areas will provide

assurance on areas directly linked to the achievement of the council's objectives and priorities.

2.3 The approach to audit planning for 2018/19 has been characterised by:

- a) Detailed discussions with senior managers and other key officers within the council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

Risk Assessment

Managers and SIAS agree the level of risk associated with an identified auditable area.

Other sources of Assurance

Managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

Significance

Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

Timings

Managers identify when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.
- c) The proposed 2018/19 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted;
- d) Proposed draft plans are presented to Leadership Team for discussion and agreement;
- e) The plan is shared with the External Auditor.

This approach ensures that our work gives assurance on what is important and those areas of highest risk and thus assists the Council in achieving its objectives

The Planning Context

2.4 The context within which local authorities and housing associations provide their services remains challenging:

- Austere public finances are likely to continue into the next decade, meaning that previous expenditure levels are not sustainable and public leaders expect serious financial difficulty ahead;
 - Demand continues to rise, driven by complex needs, an ageing population and higher service expectations from citizens;
 - Technology ranging from use of mobile devices and applications to predictive analytics is now key to service delivery and offers opportunities along with significant risks;
 - Major, national programmes in areas like welfare and business rate reform, and structural changes mean the environment remains relatively unstable;
- 2.5 The resultant efficiency and transformation programmes that councils are in the process of implementing and developing are profoundly altering each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.
- 2.6 The challenge of giving value in this context, means that Internal Audit needs to:
- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives;
 - Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective;
 - Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate;
 - Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2018/19

- 2.7 The draft 2018/19 audit plans are included at Appendix A and B and contain a high level proposed outline scope for each audit; Appendix C details the agreed start months. The number of days purchased in 2018/19 has reduced by 10% which for Watford, Shared Services and Three Rivers in totality equates to a reduction from 447 days (in 2017/18) to 402 days (in 2018/19). A similar reduction has been applied across all other SIAS partner Councils and was agreed by the

SIAS Board. The table below shows the estimated allocation of the total annual number of purchased audit days for the year for the Watford and Shared Services Plans.

	WBC	Shared Services	Total
Key Financial Systems	0	85	85
Operational audits	63	10	73
Procurement	0	0	0
Shared Learning/Joint Reviews	5	0	5
Counter Fraud	0	0	0
Risk & Governance	5	0	5
Ad-Hoc Advice	2	0	2
IT Audits	0	47	47
To Be Allocated	0	0	0
Follow Ups	10	0	10
Strategic Support*	37	0	37
2017/18 Projects Requiring Completion	5	6	11
Total audit days 2018/19	127	148	275

* This covers supporting the Audit Committee, monitoring, client liaison and planning for 2019/20.

- 2.8 Members will note the inclusion of a provision for the completion of projects that relate to 2017/18. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year end closure procedures.
- 2.9 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

3. Performance Management

Update Reporting

- 3.1 The work of Internal Audit is required to be reported to a Member Body so that Watford Borough Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2018/19 and any proposed changes will be reported to this Committee four times in the 2018/19 civic year.
- 3.2 The implementation of agreed audit recommendations will be reported to Audit Committee as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board in September 2011 and are reviewed annually. Details of the targets set for 2018/19 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
1. Planned Days percentage of actual billable days against planned chargeable days completed.	95%
2. Planned Projects percentage of actual completed projects to draft report stage against planned completed projects. Note: to be based on the judgement of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan.	95%
3. Client Satisfaction percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%

<p>4. Number of High Priority Audit Recommendations agreed</p>	<p>95%</p>
<p>5. External Auditor Satisfaction</p>	<p>Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work.</p>
<p>6. Annual Plan</p>	<p>Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year.</p>
<p>7. Head of Assurance's Annual Report</p>	<p>Presented to the first meeting of each Audit Committee in the new financial year.</p>

Watford Borough Council
Audit Committee
15 March 2018

Watford Borough Council 2018/19 Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
KEY FINANCIAL SYSTEMS			
	See Shared Services Audit Plan		
OPERATIONAL AUDITS			
GDPR Preparedness	<p>Review to assess the Council's progress in meeting requirements of the new GDPR legislation from 25 May 2018. Coverage likely to include:</p> <ul style="list-style-type: none"> a) Management of Information Assets - Whether the Council has taken adequate steps to comply with the requirements of the GDPR for the management of its information. b) Privacy by design – Whether the principle of privacy by design is established and incorporated into ways of working within the Council. c) Rights of the individual - Whether the Council complies with the requirements of the GDPR in respect of the rights of the individual. d) Awareness - How the Council has made people aware of the requirements of the GDPR and the changes that will be introduced. 	12	Q1
GDPR – PIR	Review to examine effectiveness of GDPR arrangements after go-live.	8	Q2

WATFORD BOROUGH COUNCIL INTERNAL AUDIT PLAN 2018/19

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Parking strategy – fee assumptions / comparatives	Review to consider the robustness of the new parking strategy including assumptions over projected fee income and comparison of fees against other councils.	10	Q2
Temporary Accommodation	Review to provide assurance over the control of costs and the use of private sector landlords.	8	Q2
Commercial Strategy	Review to consider the robustness of the Commercial Strategy in terms of maximising current income and generating new income streams. Scope to cover one theme of the Strategy – to be determined.	10	Q4
Grants	Review to provide assurance that grants to external bodies are made in a controlled fashion, are in line with the Council's objectives, are appropriately authorised and that funding is monitored to ensure that agreed conditions have been met, with recovery considered where this is not the case.	6	Q1
Equality Impact Assessments	Review to provide assurance over the completion of equality impact assessments across the Council.	5	Q1
DFG Capital Grant Certification	To provide Head of Internal Audit sign-off on the annual Disabled Facilities Capital Grant return, due at the end of September each year.	1	Q2

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Home Improvement Agency	Review of the new arrangements hosted by HCC, contributions from all SIAS councils who are in the partnership.	3	Q2
PROCUREMENT			
	See Shared Services Audit Plan.		
SHARED LEARNING / JOINT REVIEWS			
Shared Learning Newsletters / Summary Themed Reports / Joint Reviews	Shared Learning Newsletters and Summary Themed Reports providing opportunities for shared learning across the partnership. Joint reviews as determined by the SIAS Board.	5	Through the year
COUNTER FRAUD			
	See Shared Services Audit Plan.		

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
RISK MANAGEMENT AND GOVERNANCE			
Risk Management	Review to provide assurance over the implementation of the revised risk management strategy.	5	Q2
AD HOC ADVICE			
Ad Hoc Advice	This planned time has been allocated to provide for ad hoc advice to management on matters, issues or queries relating to risk, control, governance and anti-fraud.	2	As required
IT AUDITS			
	See Shared Services Audit Plan.		
TO BE ALLOCATED			
To Be Allocated	See Shared Services Audit Plan.		
FOLLOW-UP OF AUDIT RECOMMENDATIONS			

WATFORD BOROUGH COUNCIL INTERNAL AUDIT PLAN 2018/19

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Follow-up of outstanding audit recommendations	Obtaining quarterly updates on the status of internal audit recommendations from action owners and reporting outcomes to Audit Committee.	10	Quarterly
STRATEGIC SUPPORT			
Head of Internal Audit Opinion 2017/18	To prepare and agree the Head of Internal Audit Opinion for 2017/18.	2	Q1
External Audit Liaison	To meet the external auditors and provide information as required.	1	Ongoing
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports and presentation of reports / participation at Audit Committee. Provide Committee Member training prior to the committee meetings.	10	Quarterly
Monitoring and Client Meetings	To produce and monitor performance and billing information, work allocation and scheduling, and to meet with the Council's Audit Champion and other key officers.	11	Quarterly
2019/20 Audit Planning	To provide services in relation to preparation and agreement of the 2019/20 Audit Plan.	7	Q3/4

WATFORD BOROUGH COUNCIL INTERNAL AUDIT PLAN 2018/19

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
SIAS Development	Included to reflect the Council's contribution to developing the partnership.	3	Q1
Annual Governance Statement	To assist the Council in the preparation of the Annual Governance Statement for 2017/18.	3	Q1
2017/18 PROJECTS REQUIRING COMPLETION			
2017/18 Projects Requiring Completion	Additional time, if required for the completion of 2017/18 audit work carried forward into the 2018/19 financial year.	5	Q1
TOTAL AUDIT PLAN DAYS		127	

2018/19 RESERVE LIST (for consideration in the main audit plan should audit days become available during the year. Plan changes are reported to Audit Committee)			
	Compliance		
	Communications (including social media)		
	Project Management		
	Contract Management (non-IT contracts)		
	Members Locality Budgets		
	Veolia Contract – payments		

Watford Borough Council
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Watford & Three Rivers Shared Services 2018/19 Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
<p>KEY FINANCIAL SYSTEMS Key financial systems are of critical importance to sound financial management and financial reporting. Management need to be assured that these systems are soundly controlled in order to meet organisational objectives.</p>			
Benefits	<p>Review of Housing Benefit and Local Council Tax Support to confirm that controls are adequate and are operating effectively and that previous internal audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Policies, procedures and set-up of standing data, b) Assessments, backdating, spare room subsidy, benefit cap, c) Recovery and write-off of overpayments, d) Reconciliation between the benefits system and general ledger, e) System controls and data retention. <p>Testing will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council cases.</p> <p>Testing of 2018/19 standing data will be carried out in May 2018 to give assurance early in the year that these have been correctly set within the system parameters.</p>	13	Q3 (Q1 for system parameter testing)
Council Tax	<p>Review of the Council Tax system to confirm that existing controls are adequate and are operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p>	12	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
	<p>a) Policies, procedures and legislation, b) Amendment to Council Tax records including reconciliation between Valuation Office Agency and Council records, c) Discounts (single persons, disabled persons) and exemptions (e.g. empty property relief), d) Billing (annual and in-year), e) Collection and refunds, f) Recovery, enforcement and write-offs, g) Reconciliation between the Council Tax system and general ledger.</p> <p>(System access controls and data retention are included in the scope of the Benefits audit as the same systems (Academy and Anite) are used across the Revenues & Benefits service).</p> <p>Testing will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council cases.</p>		
Creditors	<p>Review of the Creditors system to confirm that existing controls are adequate and are operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <p>a) Set-up and amendment of supplier accounts, b) Ordering of goods and services, c) Receipt of goods and services, d) Payment of invoices, e) Reconciliation between the Creditors module and general ledger, f) Credit notes and refunds.</p>	9	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
	<p>Access controls over the purchasing module within the main financial system will be covered in the Main Accounting system audit.</p> <p>Testing will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council cases.</p>		
Debtors	<p>Review of the Debtors system to confirm that existing controls are adequate and operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Policies and procedures, b) Set-up and amendment of customer accounts, c) Debtor invoices, d) Credit notes and refunds, e) Recovery and write-offs, f) Reconciliation between the Debtors module and general ledger. <p>Access controls over the Debtors module within the main financial system will be covered in the Main Accounting system audit.</p> <p>Testing will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council cases.</p>	9	Q3
Main Accounting System	<p>Review of the Main Accounting system to confirm that existing controls are adequate and are operating effectively and that previous audit recommendations</p>	10	Q4

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
	<p>have been implemented. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Access controls to the financial system, b) Accounting codes and structure, c) Journals and virements, d) Bank reconciliations, e) Feeder system / control account reconciliations, f) Suspense accounts. <p>Testing to cover the 2018/19 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>		
NDR	<p>Review of the NDR system to confirm that existing controls are adequate and operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Policies, Procedures and Legislation, b) Amendment to NDR records, including reconciliation between the Valuation Office Agency and Council records, c) Multiplier Setting, d) Voids and Reliefs, e) Billing (annual and in-year), f) Payments and Refunds, g) Recovery, Enforcement and Write offs, h) Reconciliation between the NDR System and general ledger. 	12	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
	<p>(System controls and data retention are included in the scope of the Benefits audit as the same systems (Academy and Anite) are used throughout the Revenues & Benefits service).</p> <p>Testing will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council cases.</p>		
Payroll	<p>Review of the Payroll system to confirm that existing controls are adequate and are operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Payroll system – standing data, b) Starters, leavers, transfers and amendments, c) Payroll payments, including scheduling and BACS, d) Pension contribution rates, e) Payroll deductions and third party payments, f) Reconciliations between the Payroll system and general ledger, g) Management exception reports, h) Payroll contract management. <p>Testing will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council transactions.</p>	10	Q3
Treasury Management	<p>Review of the Treasury Management system to confirm that existing controls are adequate and operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p>	5	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
	<p>a) Treasury Management (TM) Practices, TM Procedures. b) TM Reporting Arrangements. c) TM Training. d) Service Continuity. e) Cashflow Management. f) Counter-Party Risk. g) Transactions – to include online banking and placing of investments, capital and Interest Payments, Reconciliations, External Service Providers / Contracts and Performance Monitoring.</p> <p>Testing will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council transactions.</p>		
Budget Monitoring	<p>Review of the Budget Monitoring system to confirm that existing controls are adequate and operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <p>a) Budget monitoring process. b) Accuracy and timeliness of budget data, c) Budget variance approval, d) Member involvement in budget monitoring and reporting.</p> <p>Testing will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council transactions.</p>	5	Q4

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
OPERATIONAL AUDITS			
Agency Staffing	To provide assurance that the framework contract for agency staffing is operating effectively and delivers best value.	10	Q2
PROCUREMENT			
	No shared procurement reviews identified at this stage.		
JOINT REVIEWS			
	See local plans.		
COUNTER FRAUD			
	No shared counter fraud reviews identified at this stage.		

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
RISK MANAGEMENT AND GOVERNANCE			
	See local audit plans.		
IT AUDITS			
Cyber Security	To provide assurance that cyber security strategies and arrangements are appropriately designed and operated to manage the risk of cyber attacks.	12	Q2
IT Operations	Review main elements of IT Operations using the ITIL methodology. Scope to include both third party arrangements and internal elements of the IT service.	20	Q4
IT Contract Management	Review to cover a sample of IT contracts. Typical scope to include: <ul style="list-style-type: none"> a) Governance, relationship management and contract administration – clarity of contract requirements, officer roles, contractor relationship management, service user satisfaction, dispute resolution and best value review process. Mechanisms to identify key contract ‘trigger points’ (such as notice periods and expiry dates), periodic checks and lessons learned. b) Performance monitoring – performance management framework, SLAs and performance indicators, reviews and action plans when failing. 	15	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
	<p>Compliance with the specification, contract terms and conditions including agreed delivery timescales and value for money requirements, records management.</p> <p>c) Financial management of contracts – payment mechanisms, records of checks and inspections (including annual insurance requirements), comparisons of contract costs to tendered prices and against budgets, variations, credits, retentions and authorisation of payments.</p> <p>d) Contractual and supplier risk management – corporate and individual risk management of contracts. Monitoring supplier financial health.</p>		
FOLLOW-UP AUDITS			
	See local audit plans.		
TO BE ALLOCATED			
	No budget set at outset.		
STRATEGIC SUPPORT			

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
	See local audit plans.		
2017/18 PROJECTS REQUIRING COMPLETION			
2017/18 projects requiring completion	Additional time, if required, for the completion of 2017/18 audit work carried forward into 2018/19. The proposed number of days is an estimate which will be reviewed as required.	6	Q1
TOTAL AUDIT PLAN DAYS – SHARED SERVICES PLAN		148	

2018/19 RESERVE LIST – including outline scope (Detailed scope for each to be determined in the event that the audit is transferred to the main plan)			
	None identified		

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Revenues & Benefits System Parameter Testing (shared plan)*	Grants	Equality Impact Assessments	Agency Staffing (shared plan)	GDPR - PIR	Parking Strategy	Council Tax (shared plan)	NDR (shared plan)	Treasury Mgmt (shared plan)	Creditors (shared plan)	Budget Monitoring (shared plan)	
GDPR preparedness				Temporary Accom	Home Improvement Agency	Debtors (shared plan)	Benefits (shared plan)		Main Accounting (shared plan)		
					DFG Grant Certification	Risk Mgmt	Payroll (shared plan)		Commercial Strategy		
					Cyber Security (shared plan)		IT Contract Mgmt (shared plan)		IT Operations (shared plan)		

***Notes:**

- Revenues & Benefits System Parameter Testing scheduled for April 2018 - remainder of work due Q3.

Certification of claims and returns annual report 2016-17

Watford Borough Council

February 2018

Ernst & Young LLP



The Members of the Audit Committee
Watford Borough Council
Hempstead Road,
Town Hall,
Watford,
Hertfordshire
WD17 3EX

5 February 2018

Direct line: +44 1189 281167
Email: abrittain@uk.ey.com

Dear Members

Certification of claims and returns annual report 2016-17 Watford Borough Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Watford Borough Council's 2016-17 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2016-17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £38,884,133. We certified the claim on 6 December after the submission deadline of 30 November due to delays in receiving the completed extended testing back from the Council to check. Usually, late submission would result in the DWP withholding 2017/18 subsidy grant for 2017/18, however, because the DWP received the claim on the 6th December, there was no impact on the timing of subsidy grant payments for 2017/18.

We issued a qualification letter, details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

The Council has improved arrangements based on the recommendations from last year, however, despite the positive trajectory the prior year recommendations remain valid. Details are included in section 1.

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the 15 March Audit Committee.

Yours faithfully

Andrew Brittain
Associate Partner
Ernst & Young LLP
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£38,876,796
Amended/Not amended	Amended – subsidy increased by £7,337
Qualification letter	Yes
Fee – 2016-17	£18,622
Fee – 2015-16	£15,268
Recommendations from 2015-16	Findings in 2016-17
<ol style="list-style-type: none"> 1. Work to an agreed timetable to ensure all work is completed by the 30 November 2017 deadline. 2. Ensure workbooks are fully completed. 	<ol style="list-style-type: none"> 1. The initial testing was provided later than agreed, but earlier than in the prior year. We therefore reiterate this recommendation. 2. Some workbooks were not fully completed, therefore we reiterate this recommendation. We have also offered to provide training to benefits staff in 2017-18 to increase the pool of officers who are able to complete the workbooks, and to improve the quality of the completed workbooks.

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years claims. We found errors and carried out extended testing in several areas.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We are required to report underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

The only issue that we reported in the qualification letter was a difference of £3,332 in benefit granted per the Authority's benefit software and benefit paid per the Authority's software.

We also completed additional testing and proposed amendments which have been addressed in the final claim form in the following areas:

1. Errors in the classification of expenditure for expenditure relating to claimants residing in temporary accommodation.

2. Amendments to the subsidy claimed for local schemes where insufficient evidence was available to support the amount claimed.
3. Errors in the calculation of earned income for claimants residing in temporary accommodation.

2. 2016-17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2016 and are available on the PSAA's website (www.psaa.co.uk).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	25,489 ¹	23,837	15,268 ¹

Note 1:

The actual fees for 2016/17 and 2015/16 include scale fee variations which are subject to approval by PSAA.

15-16: The variation of £6,953 was due to delays in receipt of extended testing, lack of system availability and additional work required on workbooks completed by the Council.

16-17: The variation of £1,652 was due to an increase in the level of extended testing compared to 2014-15 (the year that the indicative fee was based on), as well as delays in the receipt of extended testing.

3. Looking forward

2017/18

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2017/18 is £8,316. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:

<https://www.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director of Finance before seeking any such variation.

2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and are in the process of discussing with officers a quotation for this work.

As we also were appointed by PSAA in December 2017 as your statutory auditor for 2018/19 onwards we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

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Watford Borough Council

Annual Audit Letter for the year ended 31 March 2017

OCTOBER 2017

Ernst & Young LLP

Agenda Item 11

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Public Sector Audit Appointments Ltd (PSAA) have issued a “Statement of responsibilities of auditors and audited bodies”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment (updated 23 February 2017)” issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Watford Borough Council (the Council) following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council and Group as at 31 March 2017 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 27 September 2017.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 29 September 2017.

In February 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Andrew Brittain

Associate Partner
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2016/17 Audit Results Report to the 27 September 2017 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 8 February 2017 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2016/17 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 29 September 2017.

Our detailed findings were reported to the 27 September 2017 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We completed the following work:</p> <ul style="list-style-type: none">• We tested a sample of accruals, prepayments and provisions to check whether they had been recorded at an appropriate value;• We undertook cut off testing for income and expenditure to ensure that material amounts had not been omitted from the financial statements that related to 2016/17;• We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;• We evaluated the business rationale for any significant unusual transactions; and• We reviewed the following accounting estimates for evidence of management bias: pension valuations, business rates appeal provision and asset valuations. <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>

Revenue and expenditure recognition

Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.

We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.

For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

We undertook the following:

- We identified the material income streams of the Council and concluded that based on their nature, the ability of the Council to manipulate recognition of revenue in any meaningful way, or to adopt aggressive recognition policies, is low.
- We reviewed the capital programme and noted that due to its materiality, there was the opportunity for the Council to inappropriately recognise revenue expenditure as capital expenditure. We tested a sample of capital additions to ensure appropriate capitalisation and noted no issues.

Our testing has not revealed any material misstatements with respect to revenue and expenditure recognition.

Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position.

Business Rates Provision for Appeals

Councils include provisions in their accounts for the future cost of making repayments of business rates to payers who successfully appeal against the rateable value of their property as determined by the local Valuation Office.

In 2015/16 Watford Borough Council made a provision of £22.5 million in its Collection Fund, the Council's share of this was £8.381m (40% of the total).

In 2016/17 the Authority made a total provision of £15.8 million, the Council's share is £6.3 million.

This provision is a material estimate based on estimates of the likelihood of success of appeals.

We have considered the provision in line with IAS 37. We are satisfied that it represents a present obligation, since it relates to charges levied by the Council. We are satisfied that there is a probable outflow based on case history in similar instances over previous years. We are satisfied that the estimate is reliable since it relies on expert analysis of active and historic cases.

We have understood the basis of the total provision, which is made up three elements:

1. Known appeals
2. Appeals not yet lodged

We considered and tested each element of the provision.

We are satisfied that the provision is a reasonable assessment of the cost associated with successful business rates appeals relating to 2016/17.

Other Key Findings	Conclusion
<p>Presentation of expenditure and funding analysis statement, and restatement of CIES and MiRS</p>	<p>New CIPFA reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.</p> <p>The service analysis is based on the organisational structure under which the Authority operates and shows the Authority's segmental analysis. The Expenditure and Funding Analysis has been described as a core statement, however, which is incorrect and will need to be amended in the final version of the accounts.</p>
<p>Pension Fund Liability</p>	<p>The pension fund liability is both highly judgemental and material, and therefore small errors in assumptions can have a significant impact on the valuation of the liability.</p> <p>We have engaged our expert to review the methodology and assumptions applied by management's expert, with no issues noted.</p>
<p>Asset Valuations</p>	<p>This is an area of judgement. Due to the significance of the balance and the estimation uncertainty, this has been an area of audit focus.</p> <p>Nationally, we have noted variation in the application of the depreciated replacement cost methodology for specialised assets, which has resulted in material error in some Authorities. For Watford, this is relevant this year as a number of leisure centres have been revalued using this methodology.</p> <p>We have engaged our experts and spoken directly to your valuer to provide additional assurance in this area. We are satisfied that the methodology applied is reasonable, resulting in an overall valuation which is in an acceptable range.</p> <p>The Authority already documents their instructions to the valuer. Going forward, best practice would be to fully document review and challenge of assumptions made by the valuer, including comments made on any draft valuations provided.</p>

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £1.6 million (2015/16: £1.6 million), which is 2% of gross revenue expenditure.</p> <p>We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £82,000 (2015/16: £81,000)</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits: We applied a lower threshold for errors (£1,000) and any error that would affect the banding (where applicable to the note).
- Related party transactions: the accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction we therefore considered this on a case by case basis.
- Members Allowances: We applied a lower threshold for errors (£1,000).

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with the edges of several coins visible. The lighting is warm, highlighting the metallic texture and the embossed details on the coins. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We did not identify any significant risks in relation to these criteria

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 29 September 2017.

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2016/17 financial statements from member of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 26 September 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any significant controls issues to bring to the attention of the Audit Committee.

We have, however, discussed with management whether or not their method for determining the level of bad debt provision associated with the collection fund is appropriate, given the level of the error identified this year. We have suggested an alternative approach to them, which would not result in an error in subsequent years. We appreciate that this area is highly judgemental.

A close-up photograph of a person's face as they look through a pair of black binoculars. The person's eyes are visible through the eyepieces, and their hands are holding the binoculars. The background is a soft, out-of-focus white. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Focused on your future'.

Focused on your
future

Focused on your future

Area	Issue	Impact
<p>Earlier deadline for production and audit of the financial statements from 2017/18</p>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From next year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has taken a number of steps as outlined below:</p> <ul style="list-style-type: none"> • Critically reviewed and amended the closedown process • Streamlined the Statement of Accounts removing all non-material disclosure notes • Brought forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> • Issued a thought piece on early closedown • As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales • Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017 <p>Locally we have:</p> <ul style="list-style-type: none"> • Had regular discussions through the year on the Council's proposals to bring forward the closedown timetable • Hosted a faster close workshop and networking event

Area	Issue	Impact
IFRS 15 Revenue from Contracts and Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • for local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <ul style="list-style-type: none"> • There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be 	<p>Together with the Council agreed areas for early work which have included testing of major income and expenditure streams at month 9.</p> <p>Some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none"> • Disaggregate revenue into appropriate categories • Identify relevant performance obligations and allocate income to each • Summarise significant judgements <p>The Council anticipates a moderate impact but is awaiting clarification of the exact requirements before investing time in the above work.</p>
IFRS 16 Leases	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard, the new standard will have a significant impact for local authorities who lease in a large number of assets, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Council has yet to commence work in this area due to the timing of implementation.</p>

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ED None

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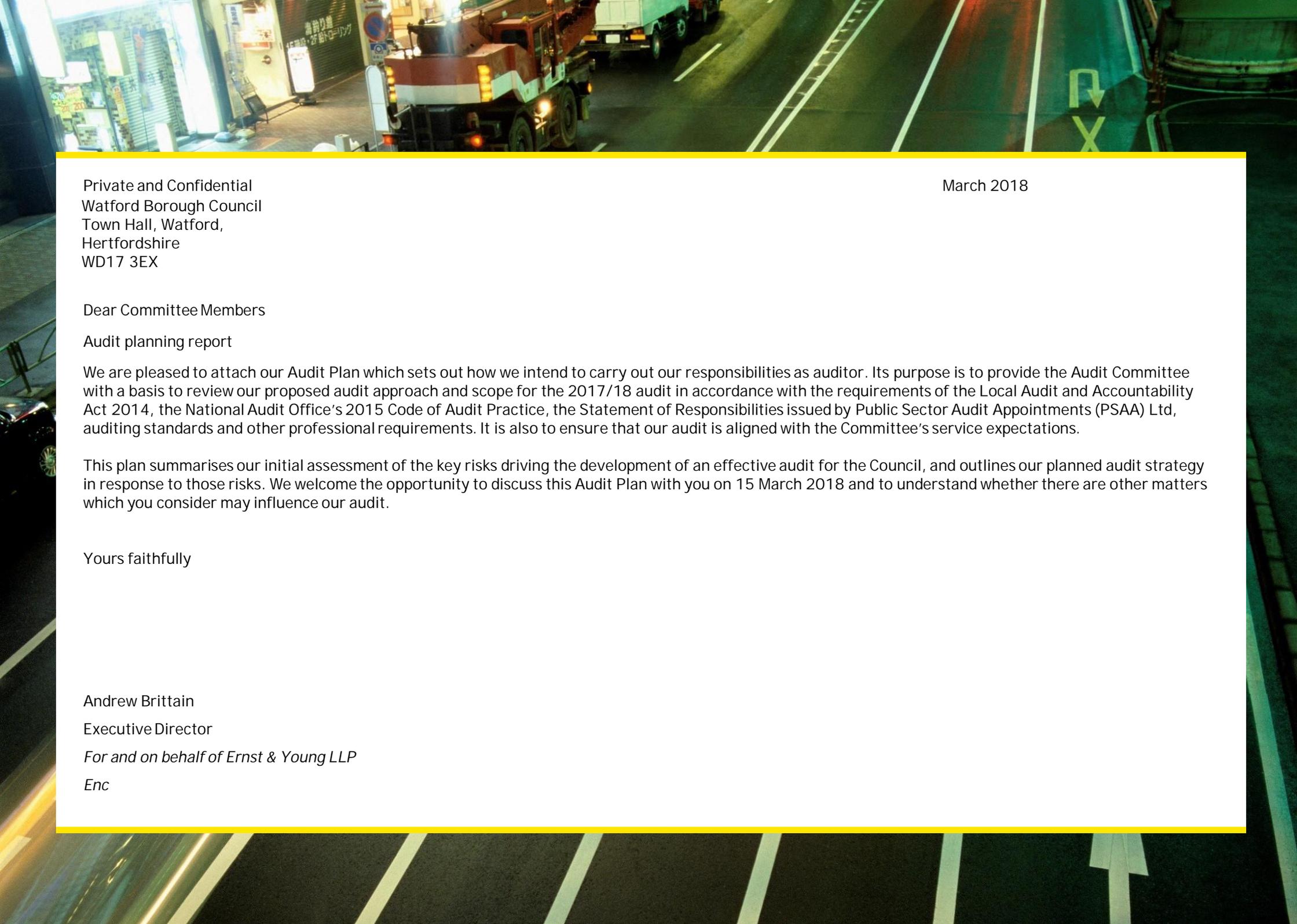
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Watford Borough
Council
Audit planning report
Year ended 31 March 2018

March 2018



Private and Confidential
Watford Borough Council
Town Hall, Watford,
Hertfordshire
WD17 3EX

March 2018

Dear Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. We welcome the opportunity to discuss this Audit Plan with you on 15 March 2018 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain

Executive Director

For and on behalf of Ernst & Young LLP

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Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Watford Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Watford Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Watford Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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01

Overview of our 2017/18 audit strategy



Overview of our 2017/18 audit strategy

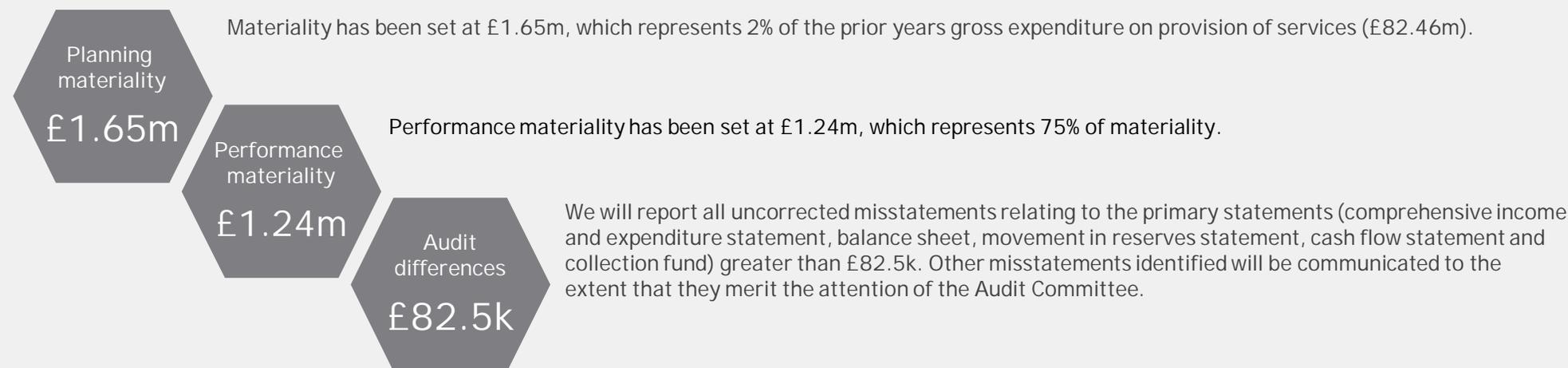
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk	No change from PY	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.
Management Override	Fraud risk	No change from PY	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Business Rates Provision	Significant risk	No change from PY	Councils include provisions in their accounts for the future cost of making repayments of business rates to payers who successfully appeal against the rateable value of their property as determined by the local Valuation Office. In 2016/17 Watford Borough Council made a provision of £10.180m in its Collection Fund, the Councils share of this was £4.072m (40% of the total). This provision is a material estimate based on estimates of the likelihood of success of appeals.

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Materiality



Overview of our 2017/18 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- § Our audit opinion on whether the financial statements of Watford Borough Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- § Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- § Strategic, operational and financial risks relevant to the financial statements;
- § Developments in financial reporting and auditing standards;
- § The quality of systems and processes;
- § Changes in the business and regulatory environment; and,
- § Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Audit team changes



James Bundy – Audit Manager

James is a member of our Government & Public Sector Audit practice based in our Luton Office. James has over 10 years audit experience working on Corporate and Local Government audits.



02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of fraud in revenue and expenditure recognition *

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

What will we do?

- ▶ We have identified the material income streams of the Council and concluded that based on their nature, the ability of the Council to manipulate the recognition of the majority of its revenue streams, in any meaningful way or to adopt aggressive recognition policies, is low. However, for unattached capital receipts, other operating income and investment property income the presumed fraud risk has not been rebutted. Therefore, we will sample a selection of these revenue streams and check the revenue recognition.
- ▶ There is an opportunity for the council to inappropriately recognise revenue expenditure as capital expenditure. Therefore, in response to this risk we will review capital expenditure on property, plant and equipment to ensure it meets the relevant recognition requirements per the CIPFA code. For all other expenditure, the ability of the Council to manipulate the recognition of its expenditure streams, in any meaningful way, is deemed to be low.

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts.

Our response to significant risks (continued)

Risk of fraud due to management override *

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What will we do?

- Identify fraud risks during the planning stages.
- Make enquiries of management about risks of fraud and the controls put in place to address those risks.
- Understand the oversight given by those charged with governance of management's processes over fraud.
- Consider of the effectiveness of management's controls designed to address the risk of fraud.
- Determine an appropriate strategy to address those identified risks of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

Our response to significant risks (continued)

Business Rates Provision
Significant Risk

What is the risk?

Councils include provisions in their accounts for the future cost of making repayments of business rates to payers who successfully appeal against the rateable value of their property as determined by the local Valuation Office. In 2016/17 Watford Borough Council made a provision of £10.180m in its Collection Fund, the Councils share of this was £4.072k (40% of the total). Accounting for the business rates provision requires significant management judgement, therefore creating material estimation uncertainty. As a result the provision balance is deemed to be a significant risk.

What will we do?

Our Approach will focus on the following:

- Ensure the provision balance meets the recognition criteria under IAS 37.
- Assess the reasonableness of management judgements applied in estimating the year end provision balances.
- Agree a sample of underlying data (for known claims) to the VOA website.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p><u>Valuation of Land and Buildings</u></p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); • Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; • Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; • Consider changes to useful economic lives as a result of the most recent valuation; and • Test accounting entries have been correctly processed in the financial statements.
<p><u>Pension Liability Valuation</u></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hertfordshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £63.1 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Liaise with the auditors of Hertfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Watford Borough Council; • Assess the work of the Pension Fund actuary (Hymans Robertson LLP) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and • Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus (Continued)

What is the risk/area of focus?

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements.

The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers, internal quality assurance arrangements and changes to the finance team.

As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

What will we do?

We will:

- Work with the Council to engage early to facilitate early substantive testing where appropriate.
- Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- Work with the Council to implement EY Client Portal, this will:
 - Streamline our audit requests through a reduction of emails and improved means of communication;
 - Provide on demand visibility into the status of audit requests and the overall audit status;
 - Reduce risk of duplicate requests; and
 - Provide better security of sensitive data.
- Agree the team and timing of each element of our work with the Council.
- Agree the supporting working papers that we require to complete our audit.



03

Value for Money Risks





Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- § Take informed decisions;
- § Deploy resources in a sustainable manner; and
- § Work with partners and other third parties.

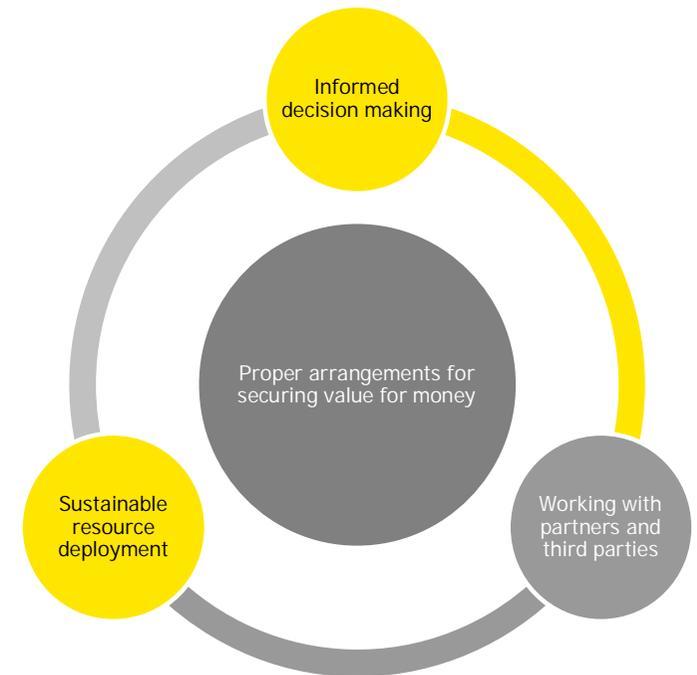
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of no significant risks which we view as relevant to our value for money conclusion, however we will keep this assessment under review as the audit progresses.





04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £1.65m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.24m which represents 75% of planning materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

Group Scoping

–At this stage of the audit, it is currently unclear if any of Watford's group interests will be in-scope for the group audit. Watford Health Campus LLP has seen increased activity in the current year, and this could bring the entity in-scope, but this cannot be concluded until the final year end numbers have been received and evaluated.

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We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06

Audit team



Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions	Hymans Robertson LLP (Actuary) and EY pensions.
Asset Valuations	Bilfinger GVA.
NDR Appeals Provision	Inform CPI

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
	October		
	November		
Planning Risk Assessment	December		
Planning Risk Assessment Walkthrough of Key Systems and Processes	January		
Walkthrough of Key Systems and Processes	February		
Interim Audit Testing Interim Audit Testing	March	Audit Committee	Audit Planning Report
	April		
Year End Audit	May		
Year End Audit	June		
Year End Audit and Audit Completion Procedures	July	Audit Committee	Audit Results Report, Audit Opinions and Completion Certificates and Annual Audit Letter



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for us to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Andrew Brittain, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017>



08

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee – Code work	51,975	51,975	51,975
Other	0	0	0
Total audit	51,975	51,975	51,975
Other non-audit services not covered above (Housing Benefits)**	TBC	TBC	25,489
Total other non-audit services	TBC	TBC	25,489
Total fees	TBC	TBC	77,464

All fees exclude VAT

** The 16/17 Housing Benefits Subsidy Claim Fee includes scale fee variations, which are subject to PSAA approval.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

Our Reporting to you

Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report, March 2018
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report, July 2018

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report, July 2018
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit results report, July 2018
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Audit results report, July 2018
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit results report, July 2018

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report (March 2018) and Audit Results Report (July 2018)
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report, July 2018
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit results report, July 2018
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Management letter/Audit results report, July 2018

Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance.	Audit results report, July 2018
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit results report, July 2018
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report. Any circumstances identified that affect the form and content of our auditor's report. 	Audit results report, July 2018
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed. Breakdown of fee information at the completion of the audit. Any non-audit work. 	Audit planning report, March 2018 Audit results report, July 2018
Certification work	Summary of certification work undertaken.	Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary.

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council's statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Agenda Item 13

Report to: Audit Committee

Date of meeting: 15 March 2018

Report of: Head of Finance

Title: Committee Work Programme

1.0 **SUMMARY**

1.1 To review and make necessary changes to the Audit Committee's Work Programme

2.0 **RISKS**

2.1 There are no risks associated with the decisions members are being asked to make.

3.0 **RECOMMENDATIONS**

3.1 That the Committee considers and makes necessary changes to its Work Programme.

Contact Officer:

For further information on this report please contact: -

Bob Watson, Head of Finance

Telephone extension: 7188

email: bob.watson@threerivers.gov.uk

Report approved by: Joanne Wagstaffe, Director of Finance

4.0 DETAILS

4.1 The work programme is presented at each meeting of the Committee to enable any changes to be made and to provide Members with updated information on future meetings. The programme of reports scheduled to be presented to this Committee in financial year 2017/18 and 2018/19 are shown below;

Date	Reports
<u>Financial Year 2017/18</u>	
<u>Financial Year 2018/19</u>	
July 2018	<ul style="list-style-type: none">▪ External Auditors Report and Approval of the 2017/18 Statement of Accounts▪ SIAS Internal Audit Annual Report 2017/18▪ Fraud Annual Report 2017/18▪ Annual Governance Statement 2017/18▪ Treasury Management Annual Report 2017/18▪ Standing items
September 2018	<ul style="list-style-type: none">▪ SIAS Board Annual Report 2017/18▪ Standing items
December 2018	<ul style="list-style-type: none">▪ External Auditors Annual Audit Letter 2017/18▪ Treasury Management Mid-Year Report 2017/18▪ Risk Management Strategy▪ Draft Treasury Management Strategy 2018/19▪ Standing items
March 2019	<ul style="list-style-type: none">▪ External Audit Certification Work Report 2017/18▪ Accounting Policies 2018/19▪ SIAS Internal Audit Plans 2018/19▪ External Auditor Audit Plan 2018/19▪ Standing items

Standing items are: -

- SIAS Internal Audit Progress Report
- External Audit Progress Report – Recommendations
- Annual Governance Statement – Action Plan update
- Committee’s Work Programme

4.2 Attached at Appendix 1 is a list of topics that could be scheduled for discussion as part of the Committee’s Agenda business.

4.3 The annual statement of accounts for the financial year 2017/18 is to be produced and signed by the council’s Chief Financial Officer by 31 May. The audited accounts need to be agreed and signed by Committee by 31 July each year.

5.0 IMPLICATIONS

5.1 Financial

5.1.1 None Specific.

5.2 **Legal Issues** (Monitoring Officer)

5.2.1 None Specific.

5.3 **Equalities**

5.3.1 None Specific.

The table below contains a list of proposed discussion topics for the Audit Committee and offers the opportunity to express an interest in each topic.

Topic	Led by
Audit Committee effectiveness	SIAS
Navigating SIAS audit reports	SIAS
The role of the Audit Committee in corporate governance	Governance Officer / SIAS
The role of the Audit Committee in risk management	Risk Manager / SIAS
The role of the Audit Committee with the work of external audit	External Audit
Statement of Accounts for Audit Committees	Finance
Anti-Fraud and Corruption	Anti-Fraud Team
Emerging Risks	SIAS
Oversight of Freedom of Information (where relevant)	FOI Officer
About SIAS	SIAS

Each of the above topics could be covered as a high level ‘lite bite’ (15 to 30 minutes) or as an extended session (45minutes to 1 hour max) prior to the commencement of each Audit Committee. The latter may involve merging some of the proposed topics.

Shorter sessions are a popular choice for Members pressed for time and not wishing to be overwhelmed by detail.